

Neuberger Berman Singapore Pte. Limited

Client Brochure

30 March, 2023

Ocean Financial Centre

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This brochure ("**Brochure**") provides information about the qualifications and business practices of Neuberger Berman Singapore Pte. Limited ("**NBS**"). If you have any questions about the contents of this Brochure, please contact us at +65 6645 3760 or by email at: **NBAsiaClientServices@nb.com**.

This Brochure provides information for NBS's U.S. Clients. Most provisions of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**") and of this Brochure do not apply to NBS's non-U.S. Clients. Registration as an investment adviser does not imply any particular level of skill or training.

Additional information about NBS is also available on the SEC's website at www.adviserinfo.sec.gov.

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The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("**SEC**") or by any state securities authority.

Item 2: Material Changes

This Brochure dated 30 March, 2023 has been prepared in accordance with rules adopted by the U.S. Securities and Exchange Commission. This Brochure will be updated at least annually and we will further provide other ongoing disclosure information about material changes as necessary. This Brochure was last updated 30 March, 2022. There have been no material changes since the last update.

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Item 4: Advisory Business

A. Description of Neuberger Berman Singapore Pte. Limited (“NBS”) and the Firm

NBS

NBS is a Singapore private company with limited liability formed in November 2008. It is licensed with and regulated by the Monetary Authority of Singapore to undertake the regulated activity of fund management.

NBS is directly owned by Neuberger Berman Asia Holdings II LLC, which is, in turn, owned by Neuberger Berman Asia Holdings LLC, which is a wholly-owned subsidiary of Neuberger Berman Group LLC (“NBG”).

The Firm

NBG is a holding company, the subsidiaries of which (collectively referred to herein as the “**Firm**” or “**Neuberger Berman**”) provide a broad range of global investment solutions – equity, fixed income, multi-asset class and alternatives – to institutions and individuals through products including separately managed accounts, registered funds and private investment vehicles. As of December 31, 2022, Neuberger Berman had approximately \$427 billion under management.¹

NBG’s voting equity is wholly owned by NBSH Acquisition, LLC (“**NBSH**”). NBSH is owned by current and former employees, directors, consultants and, in certain instances, their permitted transferees.

Neuberger Berman is headquartered in New York City. As of December 31, 2022, Neuberger Berman had approximately 2,690 employees in 39 cities around the world.

NBS’s investment management services are further discussed below.

B. Types of Advisory Services

NBS currently provides the following types of investment management services:

Funds

NBS does not currently serve as the investment manager for any pooled investment vehicles; however, it could do so in the future.

¹ Firm assets under management figures reflect the collective assets for the various subsidiaries of NBG.

Sub-Advised Accounts

NBS has been engaged by certain affiliates to act as sub-adviser and/or sub-investment manager in respect of certain pooled investment vehicles (the “**Funds**”) and/or accounts managed by such affiliates (“**Sub-Advised Accounts**”), whereby such affiliates have delegated discretionary authority to NBS.

Separate Accounts

NBS provides ongoing discretionary investment management services to institutional clients with respect to assets held in the client’s custodial account (collectively, “**Separate Accounts**”) based on customized investment objectives or guidelines, time horizons, risk tolerances, policies and limitations of such clients.

The Funds, Sub-Advised Accounts and/or Separate Accounts to which NBS provides investment management services, are each referred to in this Brochure as a “**Client**”, and collectively referred to as “**Clients**.” Further, the Client account to which NBS provides investment management services, is referred to as a “**Client Account**” and collectively as “**Client Accounts**.”

C. Client Tailored Services and Client Tailored Restrictions

NBS generally provides its investment management services pursuant to a discretionary investment management agreement.

NBS’s advisory services are performed in accordance with the terms of each investment management agreement. Each Client is likely to impose investment restrictions or guidelines for its account as it deems appropriate to achieve its particular investment objective. Such investment restrictions and/or guidelines are typically described in the respective private placement memorandum, prospectus or other offering document (the “**Offering Documents**”) for each Fund, or in the case of other Client Accounts, in the relevant investment management agreement.

D. Wrap Programs

NBS does not sponsor or participate in wrap fee programs.

E. Assets Under Management

<u>Discretionary Amounts:</u>	<u>Non-Discretionary Amounts:</u>	<u>Date Calculated:</u>
\$26,767,691,477	\$0	12/31/2022

Item 5: Fees and Compensation

A. Fee Schedule

Funds and Separate Accounts

Client Accounts are charged a management fee. In very limited circumstances, some Client Accounts are charged a fee based on the performance of the account (a “**performance fee**”) in addition to the management fee. Fees are negotiable and are set forth in the investment management agreement with the Client. There are differences in fees paid by certain Clients or Client Accounts. In addition, some Client Accounts pay more or less than others for the same or similar services depending on, for example, account inception dates, number or value of related accounts, total assets under management, fee negotiation, fee waiver or the manner in which NBS services are obtained.

Detailed descriptions of the management and performance fees can be found in the respective Offering Documents of the Funds, or the applicable investment management agreement for the Separate Accounts.

NBS’s standard fee schedules for Separate Accounts are set forth below:

<u>Strategy</u>	<u>Management Fee</u>
Emerging Markets Debt – Sustainable Asia High Yield Emerging Markets Debt – Asia Hard Currency	<input type="checkbox"/> 0.50% of the first \$100 million of market value; <input type="checkbox"/> 0.45% of the next \$150 million; and <input type="checkbox"/> 0.35% of the balance.
Emerging Markets Debt - Corporate Emerging Markets Debt - Blend	<input type="checkbox"/> 0.65% of the first \$100 million of market value; <input type="checkbox"/> 0.55% of the next \$150 million; and <input type="checkbox"/> 0.45% of the balance.
Emerging Markets Debt - Hard Currency	<input type="checkbox"/> 0.55% of the first \$100 million of market value; <input type="checkbox"/> 0.45% of the next \$150 million; and <input type="checkbox"/> 0.35% of the balance.
Emerging Markets Debt - Local Currency	<input type="checkbox"/> 0.60% of the first \$100 million of market value; <input type="checkbox"/> 0.50% of the next \$150 million; and <input type="checkbox"/> 0.40% of the balance.
Emerging Markets Debt- Short Duration	<input type="checkbox"/> 0.45% of the first \$100 million of market value; <input type="checkbox"/> 0.35% of the next \$150 million; and <input type="checkbox"/> 0.25% of the balance.

Sub-Advised Accounts

Sub-advisory fees for the Sub-Advised Accounts are individually negotiated and vary depending on the account. NBS receives management fees in its role as sub-adviser to certain funds and accounts offered, sponsored or managed by its affiliates.

B. Payment Method

Calculation and Payment of Fees

Management fees generally accrue on a daily or monthly basis, depending on the particular requirements of each Client Account, and generally are charged monthly in arrears as documented in the relevant investment management agreement. Where a performance fee is charged for a Client Account, such fees accrue on a daily, monthly or other basis, depending on the particular requirements of each Client Account, and can be payable semi-annually or annually in arrears, as set forth in the investment management agreement of each particular Client Account.

Certain Client Accounts are invoiced for any management fees or performance fees (where applicable), or such fees are deducted directly from the Client Account, in accordance with the investment management agreement governing the particular Client Account.

Where NBS begins managing an account during the applicable fee calculation period, the fee charged for such period will be pro-rated based on the portion of the period that NBS actually manages the account.

Termination of an agreement will not affect or preclude the consummation of any transaction initiated prior to termination and the Client Account are subject to transaction-related costs associated with the unwinding of such transactions.

Valuation of Assets

The market value of securities and other financial instruments is determined by unaffiliated third-party service providers which also serve as administrator or custodian for NBS's Client Accounts. NBS uses market values of securities generally obtained from various quotation services for its own internal purposes. Each Client generally retains a third-party administrator or custodian to provide various administrative services to the Client. For certain Client, this include keeping the official books and records, calculating the Client Account's NAV, as well as other administrative services on behalf of the Client.

Where significant issues regarding valuation arise that cannot be addressed by the methods described above, NBS will convene the NB Asia Valuation Committee to evaluate the issues and seek prompt resolution thereof.

C. Other Fees and Expenses

In addition to the management and performance fees paid to NBS, Client Accounts are charged other fees associated with their accounts and investments. Such fees include the following:

Custodial Fees

Each Client has generally engaged either a prime broker or custodian, depending on the specific requirements of the Client, to hold the Client's assets and will bear any fees charged by such prime broker or custodian. To the extent that cash is held in such accounts and fees are charged by the provider of such service, the fees so incurred by the Client will be in addition to the fee payable to NBS on the overall value of the account. See Item 15.

Transaction-Related Fees

Client Accounts generally must bear all transaction-related costs, including brokerage commissions, for transactions affected for the account. See Item 12.

Other Fees and Expenses

Investors in the Funds will incur other fees and expenses associated with their investments in such Funds. Fund expenses are described in the respective Fund's Offering Document. These expenses, in addition to brokerage and other transaction-related costs will generally include the fees and expenses of other service providers to the Fund, such as prime brokers, custodians, transfer agents, administrators, valuation agents, auditors and counsel.

Certain Client Accounts invest in other funds as described in each Fund's Offering Document or investment management agreement. To the extent a Client Account invests in another unaffiliated fund it will bear the costs and expenses associated with an investment in that underlying fund. If, however, a Client Account invests in another affiliated fund, the fees associated with that underlying fund will typically be waived.

D. Prepayment of Fees and Refunds

As described above, management fees can be paid monthly or quarterly, in arrears depending on the particular requirements of each Client Account. Certain Clients are charged performance fees at the end of their fiscal year, or upon withdrawal by an investor in the case of a Fund. Investors should refer to the applicable Offering Document if investing in a Fund for more information related to fees.

E. Sales Compensation

NBS's products and strategies can be marketed by the Firm's central sales force which also markets the products and strategies of NBS's affiliates. Certain members of the sales force are registered representatives of NBS's affiliate, Neuberger Berman BD LLC ("NBBD"), a registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA") and as such, with respect to the Funds offered by NBS and other pooled investment vehicles offered by its affiliates, could be entitled to sales compensation in connection with the introduction of investors to such funds. Given that the salespersons could market a wide range of products offered by NBS and its affiliates, with differing sales compensation, the salespersons could have an incentive to promote or recommend certain products over others based on the compensation to be received and not on the specific requirements or investment objectives of the investor.

The Firm trains its employees, including members of this sales force, regarding suitability and sales of securities products to investors, which NBS believes mitigates this conflict. Salespersons are also required to undergo product specific training for all products that they market.

The Firm's central sales force also markets the investment management products and services of NBS for which certain members do not receive any direct compensation. Certain Firm employees who are not members of the central sales force are eligible to earn an account referral bonus for referring a Client to NBS.

Item 6: Performance-Based Fees and Side-By-Side Management

“Performance-Based Fees” are fees that are based on a share of the capital gains or capital appreciation of the assets of an account. Examples of performance-based fees include, but are not necessarily limited to:

- an incentive fee, where the fee is calculated as a percentage of a Fund’s profits, taking into consideration both realized and unrealized profits;
- high water mark, where the manager receives performance fees only on increases in the net asset value of a Fund in excess of the highest net asset value it has previously achieved; and
- hurdle rate, where a manager does not charge a performance fee until the Fund’s annualized performance exceeds a benchmark rate, such as T-bill yield, the 10 Year Treasury Note Rate or a fixed percentage.

NBS charges performance fees in connection with the management of certain Client Accounts.

To the extent that NBS and its portfolio managers manage accounts that charge both management fees and performance fees, NBS and/or its portfolio managers have a potential conflict of interest in an account with a performance fee arrangement as it offers the potential for higher profitability, when compared to an account with a management fee arrangement. Performance fee arrangements generally create an incentive for NBS and/or its portfolio managers to recommend investments that are riskier or more speculative than those which would be recommended under a different fee arrangement. Performance fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the devotion of time, resources and allocation of investment opportunities.

To manage these conflicts, NBS has adopted a number of compliance policies and procedures (“Procedures”) . These Procedures include (i) the NB Asia Code of Ethics (see Item 11), (ii) various NBS compliance policies and procedures including the NB Asia Best Execution Policy, NB Asia Trade Aggregation and Allocation Policy, NB Asia Trading and Regulatory Investment Guidelines and Restrictions Policy , which seek to ensure that (a) investment opportunities are allocated fairly among Clients and that all accounts are managed in accordance with their investment mandate, and (b) best execution and order allocation monitoring procedures are reasonably designed to identify unfair or unequal treatment of accounts. NBS does not consider fee structures in allocating investment opportunities.

Item 7: Types of Clients

The minimum investment required by an investor in a Fund varies depending on the particular Fund. A detailed description of the minimum investments for each Fund is contained in the relevant Fund's Offering Documents.

Generally, there is a minimum account size of \$50 million for all Fixed Income Institutional Accounts, except for the following:

- Emerging Markets Debt—Blend mandate: \$150 million
- Emerging Markets Debt – Asian Bond, Emerging Markets Debt—Hard Currency, Emerging Markets Debt—Local Currency, Emerging Markets Debt— Corporate, and Emerging Markets Debt—Short Duration mandates: \$100 million

NBS can manage customized Separate Accounts that are designed to meet the specific risk and return goals, liquidity restraints, factor sensitivity targets and other requirements of its Clients. These Separate Accounts generally have a minimum account size of \$100 million.

NBS can lower an account minimum in its discretion.

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

A. Methods of Analyses

Investment Analysis

NBS, either directly, or indirectly through its sub-advisers, utilizes a variety of investment analysis methodologies which include:

- ***Charting analysis*** involves the use of patterns in performance charts. NBS uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security.
- ***Fundamental analysis*** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.
- ***Technical analysis*** involves the analysis of past market data; primarily price and volume.
- ***Cyclical analysis*** involves the analysis of business cycles to find favorable conditions for buying and/or selling a security.
- ***Qualitative analysis*** involves the subjective evaluation of non-quantifiable factors such as the quality of management, labor relations, and strength of research and development factors not readily subject to measurement, in an attempt to predict changes to share price based on that data.
- ***Macroeconomic analysis*** involves reviewing the domestic or international economies as a whole, potentially including factors such as historical, present and estimated GDP, securities markets activity and valuations, and other economic data such as unemployment, labor force participation, productivity levels, geopolitical issues and domestic political issues.
- ***Statistical analysis*** involves the examination of data to draw conclusions or insights, and determine cause-and-effect patterns between events.
- ***ESG and impact analysis*** involves the analysis of ESG and impact factors and their implications on valuation, risk and sustainable growth, with a view towards socially responsive investing.

Portfolio managers of NBS bear primary responsibility for implementing the day-to-day investment activities and decisions on behalf of each Client Account and could consider these and other factors when implementing a Client Account's investment program.

Sources of Information

In conducting investment analysis, NBS utilizes a broad spectrum of information, including, but not limited to:

- financial publications, industry and trade journals;
- inspections of corporate activities;
- proprietary and third-party research materials;
- corporate rating services;
- Platforms such as Bloomberg;
- annual reports, prospectuses, and filings with the SEC or regulators in other jurisdictions;
- newspapers, magazines, websites, trade journals;
- discussions and meetings with NBS's staff of research analysts;
- charts, statistical material and analysis;
- company press releases, presentations and interviews (in person or by telephone);
- contact or meetings with management of various companies, analysts and consultants;
- personal assessment of the financial consequences of world events derived from general information; and
- such other material as is appropriate under the particular circumstances.

NBS could also rely on the research and portfolio management of its affiliates. See Item 10.C.3.

B. Investment Strategies

Investments in securities and other assets involve risk of loss that investors must be prepared to bear.

In carrying out its discretionary investment strategies, NBS, or its sub-advisers, can offer advice on a wide range of securities and other financial instruments including, but not limited to:

- Corporate debt securities;
- Asset-backed securities, including, without limitation, mortgage-backed securities;
- Put and call options;
- Swaptions;
- Inflation-linked securities;
- Securities traded over-the-counter;

- Loan assets, including, without limitation, distressed debt;
- Rule 144A securities;
- Convertible bonds;
- Commercial paper;
- Certificates of deposit;
- Money market instruments;
- Municipal securities;
- Depositary receipts;
- Sovereign, quasi-sovereign and sub-sovereign securities;
- Supranational securities;
- Warrants;
- GDP performance linked securities (also known as GDP warrants);
- Futures contracts on tangibles and intangibles and options thereon;
- Listed and over-the-counter derivatives, including, without limitation, credit default swaps, interest rate swaps, currency swaps, total return swaps, commodity swaps, forward contracts and other synthetic exposure instruments;
- Residential mortgage loans;
- Trade claims;
- Credit-linked notes (CLN) and non-deliverable forward currency contracts (NDF);
- Currencies;
- Investments in registered and unregistered investment companies (including mutual funds);
- Sukuk (Islamic bonds); and
- Other alternative investments.

To the extent NBS uses derivative instruments, it does so consistent with each Client Account's investment objective and policies, including hedging, managing risk, or attempting to enhance returns. Additionally, NBS can hedge its exposure to currency fluctuations for foreign securities owned by Clients. For Funds that offer non-U.S. dollar denominated share classes, or Clients with non-U.S. denominated accounts, NBS can also engage in foreign exchange hedging activities in an attempt to limit currency fluctuations (relative to the U.S. dollar).

As financial markets and products evolve, or at the investment discretion of NBS, NBS can invest in other financial instruments or securities, whether currently existing or developed in the future, that are consistent with the guidelines, objectives and policies of a Client Account.

As previously noted, NBS can provide investment management services in relation to investment strategies, which are delegated to, and managed by, its affiliates. As such, Client participation in such other types of investments will be performed consistent with affiliate's respective compliance Procedures and applicable rules and regulations.

Subject to firm-wide restrictions dealing with prudence, conflicts of interest and compliance with securities laws and regulations, the purchases and sales for Client Accounts is based upon the judgment of the individual portfolio manager or group supervising the particular account, who are encouraged to use those methods with which they have been successful.

The following is a summary of the principal investment strategies employed by NBS, either directly or indirectly through its sub-advisers. Certain material risks associated with these strategies are set forth in Section (C), below. This is a summary only. Clients should not rely solely on the descriptions provided below.

Emerging Markets Debt Strategies: NBS manages fixed income strategies that focus on emerging markets debt, including hard currency, local currency, short duration and corporate debt strategies. The denomination of the strategies varies and some strategies are permitted to invest in derivative instruments. NBS also manages emerging markets debt strategies that combine the portfolio management team's highest conviction investment ideas amongst the four individual emerging markets debt strategies (hard currency, local currency, short duration and corporate debt) and such strategies can include a tactical asset overlay. Some of NBS's emerging markets debt strategies include strategies that focus on regional sub-sets (e.g., Asian currency, China bonds, etc.). The following are some of NBS's significant emerging markets debt strategies:

- Hard Currency
- Corporates
- Local Currency
- Blend
- Sustainable Blend Investment Grade
- Short Duration
- Asia Hard Currency
- China Bond Total Return
- China Bond Core
- Sustainable Asia High Yield

The above referenced investment strategies are a summary only. Clients and/or Investors should look to their investment management agreements, the relevant Offering Documents of a particular Fund and other Client materials provided by NBS in its presentation of the particular strategy for a more complete description of each strategy and its associated risks and consult with their own counsel and advisers as to all matters concerning an investment in the respective Fund. Investors should not rely solely on the descriptions provided herein.

C. Material Risks

Investments in securities and other financial instruments involve risk of loss that investors must be prepared to bear.

The following is a summary of the principal risks associated with the investment strategies managed by NBS, as discussed in Item 8.B. This is a summary only and not every strategy can invest in each type of security or other asset discussed below nor will all accounts be subject to all the risks below.

Each client should review the investment strategy associated with its particular account and should contact its client representative for more information about the strategies and risks present in the account. Private Fund investors should review the applicable Offering Memorandum and other offering documents for further information relating to the strategies and risks associated with the particular fund. Investors in NB Registered Funds, Non-U.S. Registered Funds and Third-Party Mutual Funds should also look to the relevant fund's Offering Documents and other fund offering documentation for further information on the risks associated with the particular fund.

General Risks Across All Strategies

The following is a summary of material risks that apply to NBS's various investment strategies. Please note that certain risks, other than Risk of Loss, do not apply to all NBS 's strategies or apply to a material degree.

Risk of Loss. Clients should understand that all investment strategies and the investments made pursuant to such strategies involve risk of loss, including the potential loss of the entire investment in the Client Accounts, which Clients should be prepared to bear. The investment performance and the success of any investment strategy or particular investment can never be predicted or guaranteed, and the value of a Client's investments will fluctuate due to market conditions and other factors. The investment decisions made and the actions taken for Client Accounts will be subject to various market, liquidity, currency, economic, political and other risks, and will not necessarily be profitable and it is possible that they will lose value. Past performance of Client Accounts is not indicative of future performance.

The risks listed below are listed in alphabetical order and not in order of importance. In addition to the risks listed here, there are additional material risks associated with the types of products in which a Client Account invests. Clients should refer to the prospectus or other applicable offering documents of those particular products for a discussion of applicable risk factors for that particular investment.

- **Absence of Regulatory Oversight for Private Funds.** The Private Funds are not registered as investment companies under the Investment Company Act, and, accordingly, the significant investor protection provisions of the Investment Company Act (which provides certain regulatory safeguards to investors in registered investment companies), will not apply to investments in the Private Funds.
- **Asset Allocation Risk.** The asset classes in which a Client Account seeks investment exposure can perform differently from each other at any given time (as well as over the long term), so a Client Account will be affected by its allocation among equity securities, debt securities and cash equivalent securities. If a Client Account favors exposure to an asset class during a period when that asset class underperforms other asset classes, performance will likely suffer.
- **Bankruptcy of a Custodian or Broker.** Assets of a Client Account held by a custodian or broker can be held in the name of the custodian or broker in a securities depository, clearing agency or omnibus customer account of such custodian or broker. To the extent that assets are held in the United States by a custodian in a segregated account or by a broker in a customer account, such assets could be entitled to certain protections from the claims of creditors of the custodian or broker. However, a Client Account with assets held in a segregated account by a custodian could experience delays and expense in receiving a distribution of such assets in the case of a bankruptcy, receivership or other insolvency proceeding of such custodian. Assets held by brokers in a customer account are entitled to certain protections from the claims of creditors of the broker but many do not have the same level of protection applicable to segregated accounts held by a non-broker

custodian and thus it is possible that they would not be sufficient to satisfy the full amount of customer claims. Assets held by non-U.S. brokers or custodians are often not subject to the same regulations regarding the segregation of customer assets from the assets of the broker or custodian, or from assets held on behalf of other customers of the broker or custodian, and accordingly it is possible that assets held by a non-U.S. broker or custodian will not be protected from the claims of creditors of the broker or custodian to the same extent as assets held by a U.S. broker or custodian.

- **Concentration Risk.** A strategy that concentrates its investments in a particular sector of the market (such as the utilities or financial services sectors) or a specific geographic area (such as a country or state) could be affected by events that adversely affect that sector or area, and the value of a Client Account using such a strategy would likely fluctuate more than that of a less concentrated Client Account.
- **Control Situations.** From time to time with respect to distressed debt investments, subject to applicable investment guidelines, NBS on behalf of a Client Account will take control positions in an issuer in an effort to maximize value. Not only can control investments take an inordinately long period to exit, but they also can be highly resource-intensive and contentious. NBS and the Client Account are particularly vulnerable to being named as defendants in litigation relating to their actions while in control of an issuer and, from time to time, could come into possession of material non-public information concerning specific issuers. If the issuer is a public company, until such material non-public information is made public, it is possible that NBS will be prohibited from trading the issuer's security for Client Accounts under applicable securities laws. Internal structures are in place to prevent misuse of such information. See Item 11.D.1.
- **Counterparty Risk.** To the extent that a Client Account enters into transactions on a principal-to-principal basis, the Client Account is subject to a range of counterparty risks, including the credit risk of its counterparty (i.e., counterparty default), the risk of the counterparty delaying the return of or losing collateral relating to the transaction, or the bankruptcy of the counterparty.
- **Currency Risk.** Currency fluctuations could negatively impact investment gains or add to investment losses. The value of Client Accounts invested in currencies will rise and fall due to exchange rate fluctuations in respect of the relevant currencies. Adverse movements in currency exchange rates can result in a decrease in return and a loss of capital. The investments could be hedged utilizing foreign currency forwards, foreign currency futures, options on foreign currency and other currency related instruments. However, currency hedging transactions, while potentially reducing the currency risks to which a Client Account would otherwise be exposed, involve certain other risks, including the risk of a default by a counterparty. Where a Client Account engages in foreign exchange transactions which alter the currency exposure characteristics of its investments, the performance of such Client Account will likely be strongly influenced by movements in exchange rates as it is possible that currency positions held by the Client Account will not correspond with the securities positions held. Where a Client Account

enters into “cross hedging” transactions (e.g., utilizing currency different than the currency in which the security being hedged is denominated), the Client Account will be exposed to the risk that changes in the value of the currency used to hedge do not correlate with changes in the value of the currency in which the securities are denominated, which could result in losses in both the hedging transaction and the Client Account securities.

- **Dependence on NBS.** The performance of a Client Account depends on the skill of NBS and its portfolio manager(s) in making appropriate investment decisions. Any Client Account’s success depends upon NBS’s ability to develop and implement investment strategies and to apply investment techniques and risk analyses that achieve the account’s investment objectives. Subjective decisions made by NBS could cause the account to incur losses or to miss profit opportunities on which it would otherwise have capitalized.
- **Derivatives Risk.** Derivatives are financial contracts whose value depend on, or are derived from, the value of an underlying asset, reference or index. In implementing certain of its investment strategies, NBS could use derivatives, such as futures, options, forward contracts and swaps, as part of a strategy designed to reduce exposure to other risks or to take a position in an underlying asset. Derivatives involve risks different from, or greater than, those associated with more traditional investments. Derivatives can be highly complex, can create investment leverage and are often highly volatile, which could result in the strategy losing more than the amount it invests. Derivatives are also often difficult to value and highly illiquid, and it is possible that NBS will not be able to close out or sell a derivative position at a particular time or at an anticipated price. NBS is not required to engage in derivative transactions, even when doing so would be beneficial to the Client Account

Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) provided for a sweeping overhaul of the regulation of privately negotiated derivatives. The U.S. Commodities Futures Trading Commission (“CFTC”) has been granted broad regulatory authority over “swaps,” which term has been defined in the Dodd-Frank Act and related CFTC rules to include derivatives. Title VII could affect a Client Account’s ability to enter into certain derivative transactions, increase the costs of entering into such transactions, or result in Client Accounts entering into such transactions on less favorable terms than prior to effectiveness of the Dodd-Frank Act.

In addition, NBS could take advantage of opportunities with respect to derivative instruments that are not currently contemplated or available for use, but are subsequently developed, where such opportunities are both consistent with the Client Account’s investment objectives and guidelines and legally permissible. Special risks will likely apply to such instruments that cannot be determined until such instruments are developed or invested in by the Client Account.

Derivative Counterparty Risk. Derivatives are subject to counterparty risk, which is the risk that the other party to the derivative contract will fail to make required payments or

otherwise to comply with the terms of the contract. This risk is generally regarded as greater in privately negotiated, over the counter (OTC) transactions, in which the counterparty is a single bank or broker-dealer, than in cleared transaction, in which the counterparty is a clearing organization comprised of many bank and broker-dealer members, but some level of counterparty risk exists in all derivative transactions.

If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, the Client Account could lose any gains that have accrued to it in the transaction and could miss investment opportunities or be required to hold investments it would prefer to sell, resulting in losses for the Client Account. If the counterparty defaults, a Client Account will have contractual remedies, but there can be no assurance that the counterparty will be able to meet its contractual obligations or that the Client Account will be able to enforce its rights. For example, the Client Account could be delayed or limited in enforcing its rights against any margin or collateral posted by the counterparty, which would likely result in the value of that collateral becoming insufficient. Also, because OTC derivatives transactions are individually negotiated with a specific counterparty, a Client Account is subject to the risk that a counterparty will interpret contractual terms (e.g., the amount payable to or by the Client Account upon a default or other early termination) in a manner adverse to the Client Account. The cost and unpredictability of the legal proceedings required to enforce a Client Account's contractual rights could lead the Client Account to decide not to pursue its claims against the counterparty.

Counterparty risks are often greater for derivatives with longer maturities where events could intervene that prevent required payments from being made. Counterparty risk is also often greater when a Client Account has concentrated its derivatives with a single or small group of counterparties. To the extent a Client Account has significant exposure to a single counterparty, this risk will be particularly pronounced for the Client Account. The Client Account, therefore, assumes the risk that it will be unable to obtain payments that NBS believes are owed under an OTC derivatives contract or that those payments will be delayed or made only after the Client Account has incurred the costs of litigation. In addition, counterparty risk is pronounced during unusually adverse market conditions and is particularly acute in environments in which financial services firms are exposed to systemic risks. It is possible that a Client Account will obtain only a limited recovery or obtain no recovery upon a counterparty default.

Bankruptcy of a Clearing Organization or Clearing Member. A party to a cleared derivatives transaction is subject to the credit risk of the clearing organization that becomes the counterparty to the transaction and that of the clearing member through which it holds its cleared position, rather than the credit risk of its original counterparty to the derivatives transaction. Credit risk of market participants with respect to derivatives that are centrally cleared is concentrated in a few clearing organizations. It is not entirely clear how an insolvency proceeding of a clearing organization would be conducted or what impact an insolvency of a clearing organization would have on the financial system.

A clearing member is obligated by contract and by applicable regulation to segregate all funds received from customers with respect to cleared derivatives positions from the clearing member's proprietary assets. However, all funds and other property received by a clearing member from its customers with respect to cleared derivatives are generally held by the clearing member on a commingled basis in an omnibus account, and the clearing member can invest those funds in instruments permitted under the applicable regulations. Therefore, a Client Account might not be fully protected in the event of the bankruptcy of a Client Account's clearing member because the Client Account would be limited to recovering only a pro rata share of the funds held in the omnibus account for the relevant account class.

Risk of Failure of a Clearing Broker to Comply with Margin Requirements. The clearing member is required to transfer to the clearing organization the amount of margin required by the clearing organization for the cleared derivatives. Such amounts are generally held in an omnibus account at the clearing organization for all customers of the clearing member. Regulations promulgated by the CFTC require that the clearing member notify the clearing organization of the portion of the aggregate initial margin provided by the clearing member to the clearing organization that is attributable to each customer. However, if the clearing member does not accurately report a Client Account's initial margin, the Client Account would be subject to the risk that the clearing organization will use Client Account's assets held in an omnibus account at the clearing organization to satisfy payment obligations of a defaulting customer of the clearing member to the clearing organization. In addition, clearing members generally provide the clearing organization the net amount of variation margin required for cleared swaps for all of its customers in the aggregate, rather than individually for each customer. The Client Accounts are therefore subject to the risk that a clearing organization will not make variation margin payments owed to them if another customer of the clearing member has suffered a loss or is in default, and the risk that Client Accounts will be required to provide additional variation margin to the clearing organization before the clearing organization will move the Client Account's cleared derivatives positions to another clearing member. In addition, if a clearing member does not comply with the applicable regulations or its agreement with the Client Accounts, or in the event of fraud or misappropriation of customer assets by a clearing member, Client Accounts could have only an unsecured creditor claim in an insolvency of the clearing member with respect to the margin held by the clearing member. Client Accounts also would have only an unsecured claim for the return of any margin held by the clearing member that is in excess of the amounts owed to the Client Accounts on their derivative contracts cleared through that clearing member.

Daily Trading Limits Imposed by the Exchanges and Position Limits. The CFTC and U.S. commodities exchanges limit the amount of fluctuation permitted in futures contract prices during a single trading day by regulations referred to as "daily price fluctuation limits" or "daily trading limits." Once the daily trading limit has been reached in a particular futures contract, no trades will be made that day at a price beyond that limit or trading could be suspended for specified periods during the trading day. Futures contract prices could move to the limit for several consecutive trading days with little or no

trading, thereby preventing prompt liquidation of futures positions and potentially disguising substantial losses the Fund could ultimately incur.

A Client Account's investment performance depends upon how its assets are allocated and reallocated, and a client could lose money on its investment as a result of these allocation decisions and related constraints. The CFTC and the exchanges on which commodity interests (futures, options on futures and swaps) are traded impose limitations governing the maximum number of positions on the same side of the market and involving the same underlying instrument that are held by a single investor or group of related investors, whether acting alone or in concert with others (regardless of whether such contracts are held on the same or different exchanges or held or written in one or more accounts or through one or more brokers). NBS currently trades for multiple accounts and funds, and therefore the commodity interest positions of all such accounts and funds will generally be required to be aggregated for purposes of determining compliance with position limits, position reporting and position "accountability" rules imposed by the CFTC or the various exchanges. Swaps positions in physical commodity swaps that are "economically equivalent" to futures and options on futures held by a Client Account and these other funds and accounts could also be included in determining compliance with federal position rules, and the exchanges could impose their own rules covering these and other types of swaps. These trading and position limits, and any aggregation requirement, could materially limit the commodity interest positions NBS takes for a Client Account and could cause NBS to close out a Client Account's positions earlier than it might otherwise choose to do so.

Additional Risk Factors in Cleared Derivatives Transactions. Transactions in some types of swaps (including interest rate swaps and credit default swaps on North American and European indices) are required to be centrally cleared. In a transaction involving those swaps, a Client Account's counterparty is a clearing organization, rather than a bank or broker. Since the Client Accounts are not members of clearing organizations and only members of a clearing organization can participate directly in the clearing organization, the Client Accounts will hold cleared derivatives through accounts at clearing members. In cleared derivatives positions, the Client Accounts will make payments (including margin payments) to and receive payments from a clearing organization through their accounts at clearing members. Clearing members guarantee performance of their clients' obligations to the clearing organization.

Cleared derivative arrangements pose different risks to Client Accounts than bilateral arrangements. For example, the Client Accounts could be required to provide more margin for cleared derivatives positions than for bilateral derivatives positions. On the other hand, given the longer time horizon to be covered, lesser opportunities for netting, and likely less standardization of the instruments involved, margin on bilateral positions are often greater. Also, in contrast to a bilateral derivatives position, following a period of notice to a Client Account, a clearing member generally can require termination of an existing cleared derivatives position at any time or an increase in margin requirements above the margin that the clearing member required at the beginning of a transaction. Clearing organizations also have broad rights to increase margin requirements for

existing positions or to terminate those positions at any time. Any increase in margin requirements or termination of existing cleared derivatives positions by the clearing member or the clearing organization could interfere with the ability of a Client Account to pursue its investment strategy. Further, any increase in margin requirements by a clearing member could expose a Client Account to greater credit risk to its clearing member because margin for cleared derivatives positions in excess of a clearing organization's margin requirements typically is held by the clearing member.

A Client Account is subject to risk if it enters into a derivatives transaction that is required to be cleared (or that NBS expects to be cleared), and no clearing member is willing or able to clear the transaction on the Client Account's behalf. While the documentation in place between the Client Accounts and their clearing members generally provides that the clearing members will accept for clearing all cleared derivatives transactions that are within specified credit limits for each Client Account, the Client Accounts are still subject to the risk that no clearing member will be willing or able to submit a transaction for clearing. In those cases, the proposed transaction would be terminated, and the Client Account could lose some or all of the benefit of the proposed transaction, including loss of an increase in the value of the position or loss of hedging protection.

The documentation governing the relationship between the Client Accounts and clearing members is drafted by the clearing members and could be less favorable to the Client Accounts than typical bilateral derivatives documentation. For example, documentation relating to cleared derivatives generally includes a one-way indemnity by the Client Accounts in favor of the clearing member for losses the clearing member incurs as the Client Accounts' clearing member and typically does not provide the Client Accounts any remedies if the clearing member defaults or becomes insolvent. While futures contracts entail similar risks, the risks could be more pronounced for cleared swaps due to their more limited liquidity and market history under certain market conditions.

- **Diversification Risk.** Client Accounts will not be diversified across a wide range of asset classes or issuers which could increase the risk of loss and volatility than would be the case if the Client Account were diversified across asset classes or issuers because the value of issue holdings would be more susceptible to adverse events affecting that asset classes or issuers.
- **Epidemics, Pandemics, Outbreaks of Disease, and Public Health Issues.** An epidemic or pandemic outbreak and governments' reactions to such an outbreak could cause uncertainty in the markets and could adversely affect the performance of the global economy. Outbreaks such as the severe acute respiratory syndrome, avian influenza, H1N1/09, or other similarly infectious diseases can have material adverse impacts on Client Accounts. Most recently, in December 2019, a novel strain of coronavirus, SARS-CoV-2, was reported to have surfaced. Since then, the SARS-CoV-2 virus has been determined to cause the disease COVID-19. COVID-19 has spread worldwide, including in the United States, Canada, Europe and Asia. The World Health Organization declared the COVID-19 outbreak a global pandemic on March 11, 2020, and the United States

government declared it a national emergency on March 13, 2020. The COVID-19 pandemic is an ongoing event that has negatively affected (and may continue to negatively affect or materially impact) the global economy, global equity markets and supply chains (including as a result of quarantines and other government-directed or mandated measures or actions to stop the spread of outbreaks). Although the long-term effects of COVID-19 (and the actions and measures taken by governments around the world to halt the spread of such virus), cannot currently be predicted, previous occurrences of other epidemics, pandemics and outbreaks of disease, such as H5N1, H1N1 and the Spanish flu, had material adverse effects on the economies, equity markets and operations of those countries and jurisdictions in which they were most prevalent. A recurrence of an outbreak of any kind of epidemic, communicable disease, virus or major public health issue could cause a slowdown in the levels of economic activity generally (or push the world or local economies into recession), which would be reasonably likely to adversely affect the business, financial condition and operations of NBS and its affiliates and the Client Accounts. While the development of vaccines has slowed the spread of COVID-19 and allowed for the resumption of reasonably normal business activity in the United States, many countries continue to impose lockdown measures in an attempt to slow the spread. Further, there is no guarantee that the vaccines will be effective against emerging variants of COVID-19. Should these or other major public health issues, including pandemics, arise or spread farther (or continue to worsen), NBS and its affiliates and Client Accounts could be adversely affected by more stringent travel restrictions (such as mandatory quarantines and social distancing), additional limitations on their operations and business activities, and governmental actions limiting the movement of people and goods between regions and other activities or operations.

The United States has responded to the COVID-19 pandemic and resulting economic distress with fiscal and monetary stimulus packages. In late March 2020, the government passed the Coronavirus Aid, Relief, and Economic Security Act, a stimulus package providing for over \$2.2 trillion in resources to small businesses, state and local governments, and individuals that have been adversely impacted by the COVID-19 pandemic. In late December 2020, the government also passed a spending bill that included \$900 billion in stimulus relief for the COVID-19 pandemic. Further, in March 2021, the government passed the American Rescue Plan Act of 2021, a \$1.9 trillion stimulus bill to accelerate the United States' recovery from the economic and health effects of the COVID-19 pandemic.

In addition, in mid-March 2020 the Federal Reserve cut interest rates to historically low levels and announced a new round of quantitative easing, including purchases of corporate and municipal government bonds. The Federal Reserve also enacted various programs to support liquidity operations and funding in the financial markets, including expanding its reverse repurchase agreement operations, adding \$1.5 trillion of liquidity to the banking system, establishing swap lines with other major central banks to provide dollar funding, establishing a program to support money market funds, easing various bank capital buffers, providing funding backstops for businesses to provide bridging loans for up to four years, and providing funding to help credit flow in asset-backed

securities markets. The Federal Reserve also extended credit to small- and medium-sized businesses through its Main Street Lending Program

However, as the U.S. economy continues to recover from the shocks it experienced at the beginning of the COVID-19 pandemic, the Federal Reserve has started to ease its emergency relief measures. It terminated the Main Street Lending Program on January 8, 2021 and ceased to provide liquidity support to money market funds on March 31, 2021. The Federal Reserve increased interest rates seven times in 2022 for a total of four and one-quarter percentage points and raised rates an additional one-quarter percentage point in February 2023, when it signaled its intention to effect further rate increases in the future. Additionally, in June 2022, it began a quantitative tightening program to reduce its U.S. treasury and mortgage-backed securities holdings in an effort to reduce the liquidity in the banking system. The continued withdrawal of this emergency support could negatively affect financial markets generally as well as reduce the value and liquidity of certain securities. Reduced liquidity may result in emerging market issuers having more difficulty obtaining financing, which may cause a decline in the prices of their securities. Additionally, with continued economic recovery and the cessation of certain market support activities, Client Accounts may face a heightened level of interest rate risk as a result of a rise or increased volatility in interest rates. Over the longer term, rising interest rates may present greater risks than has historically been the case due to the recent extended period of low rates, the effect of government fiscal initiatives, and the potential market reaction to those initiatives. To the extent that these developments affect the financial markets and issuers in which Client Accounts invest, they may adversely affect the investment performance of the Client Accounts..

- **ESG Investing Risk.** For Client Accounts with social or environmental impact objectives, as part of NBS's investment process, it focuses on identifying businesses that demonstrate the potential to create economic value while reducing risk and to invest in issuers that satisfy those pecuniary objectives and are intentionally generating positive social or environmental impact.

As with the use of any investment criteria in selecting a portfolio, there is no guarantee that the criteria used will, in hindsight, result in the selection of investments that will outperform other investments or help reduce risk in the portfolio. Accordingly, use of ESG factors, like other economic factors, could cause a Client Account to underperform other strategies that do not follow ESG and impact criteria or that follow different ESG and impact criteria. Use of ESG and impact criteria could also affect exposure to certain sectors or industries and impact investment performance depending on whether such sectors or industries are in or out of favor in the market. There is no guarantee that the ESG and impact criteria used for any Client Account will ultimately result in the identification of companies that will be successful or realize what NBS believes to be their full value. NBS's judgment as to the economic impact of applied social or environmental factors is based partially on information from external sources; availability of such information, as well as errors in or omissions from such information could result in incorrect evaluation of a potential investment, which could negatively impact the relevant Client Accounts or create additional risk in those Client Accounts. The ESG factors utilized

by NBS may change over time, and one or more factors may not be relevant with respect to all issuers that are considered for investment.

In addition, NBS and its affiliates have an incentive to encourage NBS employees to take actions (e.g., make investments, etc.) based on ESG factors in order to maintain the Firm's ESG scores or improve the Firm's ESG standing so that the Firm can continue to reference those scores in marketing materials in an effort to attract new clients or additional assets from existing clients, and to maintain or to retain the interest rate under one of the Firm's credit agreements.

Companies across all industries are facing increasing scrutiny relating to their ESG policies. Investor advocacy groups, certain institutional investors, investment funds, lenders and other market participants are increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. The increased focus and activism related to ESG and similar matters could hinder access to capital, as investors and lenders decide to reallocate capital or not to commit capital as a result of their assessment of a company's ESG practices. Companies that do not adapt to or comply with investor, lender or other industry shareholder expectations and standards, that are evolving, or that are perceived not to have responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, could suffer from reputational damage, and the business, financial condition, or stock price of such a company could be materially and adversely affected.

In addition, ESG matters have been the subject of increased focus by certain regulators in the EU and the U.S. For example, in May 2018, the European Commission proposed a package of measures as a follow-up to its action plan on financing sustainable growth. The proposed legislative reforms related in part to formalizing the duties and disclosure obligations of companies and asset managers in relation to ESG. These and other proposals have resulted in the Sustainable Finance Disclosure Regulation (the "SFDR"), Non-Financial Disclosure Regulation and EU Taxonomy, among other initiatives. The SFDR Level 1 was introduced on March 10, 2021. The EU Taxonomy Level 1 was introduced on January 1, 2022. The SFDR and EU Taxonomy Regulatory Technical Standards (the "SFDR Level 2"), which will set out the content, methodology and detailed disclosure requirements, were is expected to be implemented on January 1, 2023

In the U.S., the SEC has indicated a greater focus on developing disclosure frameworks for climate and other ESG factors. Specifically, the SEC proposed amendments to existing rules and reporting forms on May 25, 2022 that are designed to promote consistent, comparable, and reliable information for investors concerning the incorporation of ESG factors in investment funds and strategies. The SEC has indicated that it plans to vote on whether to adopt these amendments in October 2023. If adopted, these proposed rules would apply to registered funds as well as investment advisers registered under the Advisers Act. The adoption of the proposed rules or of any future rules or regulations could require NBS to change its investment process with respect to ESG investing.

- **Forward Contracts.** If Client Account investment guidelines permit, NBS could enter into forward contracts which are not traded on exchanges and are generally not regulated on behalf of such account. There are no limitations on daily price moves of forward contracts. Banks and other dealers with which a Client Account often maintain accounts normally require the Client Account to deposit margin with respect to such trading. The counterparties are not required to continue to make markets in such contracts and these contracts can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain counterparties have refused to continue to quote prices for forward contracts or have quoted prices with an unusually wide spread (the price at which the counterparty is prepared to buy and that at which it is prepared to sell). Arrangements to trade forward contracts can be made with only one or a few counterparties, and liquidity problems therefore might be greater than if such arrangements were made with numerous counterparties. The imposition of credit controls by governmental authorities might limit such forward trading to less than that which NBS would otherwise recommend, to the possible detriment of a Client Account. Market illiquidity or disruption could result in major losses to a Client Account. In addition, a Client Account could be exposed to credit risks with regard to counterparties with which it trades as well as risks relating to settlement default. Such risks could result in substantial losses to a Client Account.
- **Fraudulent Conveyance Considerations.** Various laws enacted for the protection of creditors apply to certain investments that are debt obligations, although the existence and applicability of such laws will vary from jurisdiction to jurisdiction. For example, if a court were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by an investment and the grant of any security interest or other lien securing such investment, and, after giving effect to such indebtedness, the borrower (i) was insolvent, (ii) was engaged in a business for which the assets remaining in such borrower constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could invalidate such indebtedness and such security interest or other lien as a fraudulent conveyance, subordinate such indebtedness to existing or future creditors of the borrower or recover amounts previously paid by the borrower (including to a Client Account) in satisfaction of such indebtedness or proceeds of such security interest or other lien previously applied in satisfaction of such indebtedness. In addition, if an issuer in which a Client Account has an investment becomes insolvent, any payment made on such investment could be subject to avoidance as a “preference” if made within a certain period of time (up to one year) before insolvency.

In general, if payments on an investment are voidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient or from subsequent transferees of such payments. To the extent that any such payments are recaptured from a Client Account, the resulting loss will be borne by the Client Account or, indirectly, by investors in a Private Fund, as applicable.

- **Futures.** For certain Client Accounts, NBS will engage in regulated futures transactions for active management or risk management or hedging purposes. Trading in futures and options on futures involves significant risks, including the following: (i) futures contracts and options on futures are volatile in price; (ii) futures trading is highly leveraged; (iii) futures trading can be illiquid; (iv) the clearing broker, or “futures commission merchant” could misuse or lose collateral (“margin”) associated with the futures contracts; and (v) the clearing broker could default, file for bankruptcy or become insolvent. As discussed above, such a default could lead to a loss within the Client Account of margin deposits made by the Client Account in the event of bankruptcy of a clearing broker with whom a Client Account has an open position in a futures contract or related option. It is possible for Client Accounts to sustain a total loss of the futures contracts including the initial margin and any maintenance margin that it deposits with a broker to establish or maintain a position in the commodity futures market. If the market moves against a position in a Client Account, such Client Account could be required to deposit a substantial amount of additional margin, on short notice, in order to maintain its position. If the Client Account does not provide the required margin within the prescribed time, its position could be liquidated at a loss, and the Client will be liable for any resulting deficit in its account. The high degree of leverage that is often obtainable in futures trading because of the small margin requirements can work against a Client Account, as well as for it. The use of leverage can lead to large losses. Foreign futures markets often have greater risk than U.S. futures markets. Unlike trading on U.S. commodity exchanges, trading on foreign commodity exchanges is not regulated by the CFTC and can be subject to greater risks than trading on U.S. exchanges. Futures markets are also often illiquid which could prevent NBS from promptly liquidating unfavorable positions and adversely affect trading and profitability.
- **Geographic Risk.** From time to time, based on market or economic conditions, the Client Account could invest a significant portion of its assets in one country or geographic region. If the Client Account does so, there is a greater risk that economic, political, social and environmental conditions in that particular country or geographic region will have a significant impact on the Client Account’s performance and that the Client Account’s performance will be more volatile than the performance of more geographically diversified accounts. The economies and financial markets of certain regions can be highly interdependent and could decline all at the same time. In addition, certain areas are prone to natural disasters such as earthquakes, volcanoes, droughts or tsunamis and are economically sensitive to environmental events. Alternatively, the lack of exposure to one or more countries or geographic regions could adversely affect performance.
- **Global Trade.** The U.S. is renegotiating many of its global trade relationships and has imposed or threatened to impose significant import tariffs. Additionally, trade sanctions have become an increasingly important element in response to global conflict. These actions could lead to price volatility and overall declines in U.S. and global investment markets.
- **Hedging.** Hedging techniques involve one or more of the following risks: (i) imperfect correlation between the performance and value of the hedging instrument and the Client

Account's position being hedged; (ii) possible lack of a secondary market for closing out a position in such instruments; (iii) losses resulting from interest rate, spread or other market movements not anticipated by NBS; (iv) the possible obligation to meet additional margin or other payment requirements, all of which could worsen the Client Account's position; and (v) default or refusal to perform on the part of the counterparty with which the Client Account trades. Furthermore, to the extent that any hedging strategy involves the use of derivative instruments, such a strategy will be subject to the risks applicable to such instruments, as described herein.

- **Inflation-Linked Security Risk.** Inflation-linked debt securities are subject to the effects of changes in market interest rates caused by factors other than inflation (real interest rates). In general, the price of an inflation-linked security tends to decrease when real interest rates increase and can increase when real interest rates decrease. Interest payments on inflation-linked securities vary widely and will fluctuate as the principal and interest are adjusted for inflation. Any increase in the principal amount of an inflation linked debt security will be taxable ordinary income, even though the portfolio will not receive the principal until maturity. There can be no assurance that the inflation index used will accurately measure the real rate of inflation in the prices of goods and services. A portfolio's investments in inflation-linked securities would likely lose value in the event that the actual rate of inflation is different than the rate of the inflation index.
- **Investment Analyses.** NBS provides non-discretionary investment advisory services in the form of non-binding investment advice or analyses. There can be no assurance that its advice or analyses will result in profitable investing or avoidance of loss. The advice is highly reliant on the accuracy of the information provided by the client and by third parties. Any inaccurate information could compromise the quality of the advice provided. Further, the advice and analyses provided are often time sensitive, especially during times of significant market volatility. With respect to the provision of such non-discretionary services, clients have sole discretion and final responsibility for deciding whether to buy, sell, hold or otherwise transact in any security. The client could be unable to execute the related transaction (or strategy), or there could be a delay in the amount of time the client takes to execute the related transaction, or strategy, that renders the advice provided moot, potentially reducing any profit or causing a material loss. Analyses are often based on assumptions that are based upon a limited number of variables that include those extracted from complex financial markets or instruments they intend to replicate. Any one or all of these assumptions could over time prove to be inaccurate, which could result in major losses.
- **Investments in Ultra-Liquid Assets.** A Client Account will at times keep a portion of its assets in cash, cash equivalents or other ultra-liquid assets, including currencies, bank deposits, certificates of deposit, bankers acceptances, one or more short duration funds (including money market instruments or investments in shares or units of money market funds) or government securities (both short-term and long-term). In some cases, such investments will be financed by entering into repurchase agreements or reverse repurchase agreements with the Client Account's brokers or by other means. Investors in Client Accounts should be aware that such investments usually produce a lower return than most other investments and therefore would impact the overall performance of a

Client Account. Clients and investor in a Client Account should not assume that their investment is less risky due to the levels of cash, cash equivalents, and other ultra-liquid assets held by the Client Account.

- **Investment Company Risk.** To the extent a Client Account invests in ETFs, mutual funds or other investment companies, its performance will be affected by the performance of those investment companies. Investments in ETFs, mutual funds and other investment companies are subject to the risks of the investment companies' investments, and, generally, as to the investment companies' expenses. If a Client Account invests in investment companies, the Client Account could receive distributions of taxable gains from portfolio transactions by that investment company and could recognize taxable gains from transactions in shares of that investment company, which would be taxable when distributed.
- **Investment Strategy and Portfolio Management Risk.** There can be no assurance that an investment strategy will produce an intended result, or would not result in losses to an investor, including, potentially, a complete loss of principal. The performance of a strategy depends on the skill of NBS and its portfolio manager(s) in making appropriate investment decisions.
- **Leverage Risk.** Certain Client Accounts in accordance with their investment guidelines seek to enhance returns through the use of leverage, which can be described as exposure to changes in price at a ratio greater than 1:1 in reference to the amount invested. Additionally, leverage can involve borrowing by a Client Account to buy securities on margin or make other investments. Leverage magnifies both the favorable and unfavorable effects of price movements in the investments made by a Client Account, which could subject it to substantial risk of loss. In the event of a sudden, precipitous drop in value of a Client Account's assets occasioned by a sudden market decline, it might not be able to liquidate assets quickly enough to meet its margin or borrowing obligations. Also, because acquiring and maintaining positions on margin allows a Client Account to control positions worth significantly more than its investment in those positions, the amount that it stands to lose in the event of adverse price movements is higher in relation to the amount of its investment. In addition, since margin interest will be one of the Client Account's expenses and margin interest rates tend to fluctuate with interest rates generally, it is at risk that interest rates generally, and hence margin interest rates, will increase, thereby increasing its expenses. It is also important to note that, similar to the utilization of margin, strategies that are implemented on an "overlay" basis allow a Client Account to control positions worth significantly more than its investment in those positions and therefore, the amount that it stands to lose in the event of adverse price movements is higher in relation to the amount of its investments.

Similarly, investments could be made in companies whose capital structures have significant leverage. To the extent a company in which a Client Account invests is leveraged, its leveraged capital structure will increase the exposure of the company to adverse economic factors such as rising interest rates, downturns in the economy or

deteriorations in the condition of the company or its industry sector, which could result in the account experiencing a loss in its investment in that company.

- **Liquidity Risk.** Certain Client Accounts are invested in illiquid securities and securities that become illiquid. Illiquid securities are securities that are not readily marketable, and, as a result, are generally more difficult to purchase or sell at an advantageous price or time. A Client Account could lose money if it cannot sell a security at the time and price that would be most beneficial to it. Further, the lack of an established secondary market often makes it more difficult to value illiquid securities, which could vary from the amount the Client Account could realize upon disposition. From time to time, the trading market for a particular investment in which a Client Account invests, or a particular investment in which a Client Account is invested, can become less liquid or even illiquid. During periods of substantial market volatility, an investment or even an entire market segment could become illiquid, sometimes abruptly, which can adversely affect the Client Account's ability to limit losses. Judgment plays a greater role in pricing these investments than it does in pricing investments having more active markets, and there is a greater risk that the investments will not be sold for the price at which they are carried. The sale of some illiquid securities are often be subject to legal restrictions, which could be costly to the Client Account.

Certain Client Accounts hold securities that are illiquid and cannot be transferred or redeemed for a substantial period of time, and there is often little or no near-term cash flow available to investors in the interim. Likewise, it is possible that a Client Account does not receive any distributions representing the return of capital on an illiquid security for an indefinite period of time. Unexpected episodes of illiquidity, including due to market factors, instrument or issuer-specific factors or unanticipated outflows, could limit a Client Account's ability to pay redemption proceeds within the allowable time period or could force a Client Account to sell securities at an unfavorable time or under unfavorable conditions in order to meet redemptions. See also "*Redemption Risk*" in this Item 8.C.

For Client Accounts that can invest in liquid and illiquid investments, NBS and its employees have an incentive to recommend, or invest the Client Account in, illiquid or less liquid investments because to the extent the Client Account is restricted in, or prohibited from, selling the illiquid or less liquid asset, NBS could continue to receive advisory fees (and NBS employee could continue to be compensated) so long as the asset is held in the Client Account.

- **Litigation.** Foreclosures and reorganizations are contentious and adversarial. It is by no means unusual for market participants to use the threat of, as well as actual, litigation as a negotiating technique. It is possible that the Firm or Client Accounts that invest in distressed debt or the residential mortgage loan strategies to be named as defendants in civil proceedings relating to certain of such accounts' investments. The expense of defending against such claims and paying any resulting settlements or judgments will

generally be borne by the relevant Client Account. Any indemnification obligations would adversely affect such Client Account's returns.

- **Market Volatility.** Markets are at times be volatile and values of individual securities and other investments can decline significantly, and sometimes rapidly, in response to adverse issuer, political, regulatory, market, economic or other developments that could cause broad changes in market value, public perceptions concerning these developments, and adverse investor sentiment. Geopolitical and other risks, including environmental and public health risks could add to instability in world economies and markets generally. Changes in the financial condition of a single issuer could impact a market as a whole. If a Client Account sells a portfolio position before it reaches its market peak, it would miss out on opportunities for better performance.
- **Master Limited Partnerships ("MLPs") Risk.** MLPs are limited partnerships that are publicly traded and have the tax benefits of a limited partnership and the liquidity of a publicly traded company. Investments in securities (units) of MLPs involve risks that differ from an investment in common stock. Holders of the units of MLPs have more limited control and limited rights to vote on matters affecting the partnership. For example, unit holders often do not elect the general partner or the directors of the general partner and they have limited ability to remove a MLP's general partner. MLPs are often permitted to issue additional common units without unit holder approval, which would dilute existing unit holders. In addition, conflicts of interest exist between common unit holders, subordinated unit holders and the general partner of a MLP, including a conflict arising as a result of incentive distribution payments. As an income producing investment, MLPs could be affected by increases in interest rates and inflation. There are also certain tax risks associated with an investment in units of MLPs, including the risk of depreciation recapture upon disposition, the risk of adjustments to income resulting from partnership-level tax audits and the risk of exposure to income taxes in multiple states.
- **MiFID II Risks.** There is a risk that Certain Client Accounts will be subject to non-U.S. regulations that are inconsistent with NBS's 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 Products and Services from executing brokers (as such terms are defined therein). While NBS is not directly subject to these regulations, NBS could adjust its standard trading practices on a case-by-case basis to accommodate compliance with MiFID II and other non-U.S. regulations by certain Client Accounts and affiliates. These accommodations 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. NBS expects the effective commission rates in these circumstances to be substantially similar to those paid by similarly situated Client Accounts. However, as result of these accommodations, investors in Client Accounts from certain jurisdictions will likely account for a lower percentage of soft dollar credits than otherwise similar investors (in such Client Accounts or otherwise) from other jurisdictions.

The complexity, operational costs and reduction in flexibility occasioned by MiFID II compliance could be further compounded as a result of Brexit, because the UK is both: (i) no longer generally required to transpose EU law into UK law; and (ii) electing to transpose certain EU legislation into UK law subject to various amendments and subject to the Financial Conduct Authority's oversight rather than that of EU regulators. Taken together, (i) and (ii) could result in divergence between the UK and EU regulatory frameworks.

A new EU Regulation on the prudential requirements of investment firms (Regulation (EU) 2019/2033) and its accompanying Directive (Directive (EU) 2019/2034) (together, "IFR/IFD") took effect in June 2021. IFR/IFD will introduce a bespoke prudential regime for most MiFID investment firms to replace the one that previously applied under the fourth Capital Requirements Directive and the Capital Requirements Regulation. IFR/IFD represents a complete overhaul of "prudential" regulation in the EU. As the application dates for IFR/IFD fell outside the end of the Brexit transition period, the UK was not required to implement the legislation and instead establish a new Investment Firms Prudential Regime, which went into effect in January 2022 and is intended to achieve similar outcomes to IFD/IFR. There is a risk that the new regime will result in higher regulatory capital requirements for affected firms and new, more onerous remuneration rules, as well as re-cut and extended internal governance, disclosure, reporting, liquidity, and group "prudential" consolidation requirements (among other things), each of which could have a material impact on European financial firms and those doing business with them, although there are transitional provisions allowing firms to increase their capital to the necessary level over three to five years.

- **NB Private Funds, NB PE Closed-Ended Funds, Portfolio Funds and Private Investments - Lack of Liquidity.** There is no public market for interests in the NB Private Funds, NB PE Closed-End Funds, certain Portfolio Funds and Private Investments. Substantial transfer or redemption restrictions typically exist with respect to those interests, and there is often little or no near-term cash flow available to investors in the interim. With respect to NB Private Fund, NB PE Closed-Ended Fund and Portfolio Funds, Client Accounts and investors can only redeem all or any permissible part of their investments in accordance with the governing or other relevant documents, which generally requires the consent of the relevant GP Entity. Where redemption rights are available, those rights can be suspended under certain circumstances. Moreover, it is possible that NB Private Funds, NB PE Closed-End Funds, Portfolio Funds and Private Investments will not receive any distributions representing the return of capital for an indefinite period of time.
- **Non-U.S. and Emerging Markets Risk.** Non-U.S. securities involve risks in addition to those associated with comparable U.S. securities and can be more volatile and experience more rapid and extreme changes in price than U.S. securities. Additional risks include exposure to less developed or less efficient trading markets; social, political or economic instability; fluctuations in non-U.S. currencies and concurrent exchange risk; nationalization or expropriation of assets; settlement, custodial or other operational risks; less stringent auditing, accounting, financial reporting and legal standards;

excessive taxation; and exchange control regulations. Adverse conditions in a particular region could negatively affect securities of countries whose economies appear to be unrelated or not interdependent. Compared to the United States, non-U.S. governments and markets often have less stringent accounting, disclosure and financial reporting requirements. As a result, non-U.S. securities can fluctuate more widely in price, and are often less liquid, than comparable U.S. securities. Securities markets of countries other than the U.S. are generally smaller than U.S. securities markets with a limited number of issuers representing fewer industries. In many countries, there is less publicly available and lower quality information about issuers than is available in the reports and ratings published about issuers in the U.S. The investment in less liquid non-U.S. securities could affect the investments under a strategy that utilizes these types of securities. For example, with respect to Client Accounts that invest in China A-shares through the Shanghai-Hong Kong Stock Connect program ("**Connect Program**"), the Connect Program is subject to quota limitations and an investor cannot purchase and sell the same security on the same trading day, which restricts a Client Account's ability to invest in China A-shares through the Connect Program and to enter into or exit trades on a timely basis. Further, trades on the Connect Program are subject to certain requirements prior to trading. If those requirements are not completed prior to the market opening, a Client Account cannot sell the shares on that trading day. There is no assurance that the necessary systems required to operate the Connect Program will function properly and trading through the Connect Program could be disrupted.

Emerging markets are those of countries with immature economic and political structures. Investing in emerging markets often involves heightened and significant risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks include: (i) greater social, economic and political uncertainty including war; (ii) higher dependence on exports and the corresponding importance of international trade; (iii) greater risk of inflation; (iv) increased likelihood of governmental involvement in and control over the economies; (v) governmental decisions to cease support of economic reform programs or to impose centrally planned economies; (vi) the possibility of nationalization, expropriation, confiscatory tax policies and social instability; and (vii) considerations regarding the maintenance of a Client Account's securities and cash with non-U.S. brokers and custodians.

Companies in emerging markets are generally subject to less stringent and less uniform accounting, auditing and financial reporting standards, practices and disclosure requirements than those applicable to companies in developed countries. Securities markets in emerging market countries often have substantially less volume of trading and are generally more volatile than securities markets of developed countries. In certain periods, there is little liquidity in such markets. There is often less government regulation of stock exchanges, brokers and listed companies in emerging market countries than in developed market countries. Commissions for trading on emerging markets stock exchanges are generally higher than commissions for trading on developed market exchanges. Settlement of trades in some non-U.S. markets is much slower and more subject to failure than in U.S. markets. In addition, custodial or settlement systems are

often not fully developed in emerging market countries, thereby exposing a Client Account to the risk of a sub-custodian's failure with no recourse against the custodian.

Many of the laws that govern private and foreign investment, securities transactions and other contractual relationships in emerging markets are new and largely untested. As a result, investing in emerging markets involves a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets and lack of enforcement of existing regulations. Furthermore, it can be difficult to obtain and enforce a judgment in certain emerging markets.

Emerging market securities also will be affected by general economic and market conditions, such as exchange rates, interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, currency exchange controls and national and international political circumstances. These factors affect the level and volatility of securities' prices and the liquidity of the Client Account's investments. Volatility or illiquidity could impair a Client Account's profitability or result in losses.

Specifically, investments in the People's Republic of China ("**PRC**") involve certain risks and special considerations not typically associated with Anglosphere markets (*i.e.*, Australia, Canada, New Zealand, the United Kingdom and the U.S.), such as greater government control over the economy, political and legal uncertainty, controls imposed by the PRC authorities on foreign exchange and movements in exchange rates (which impact the operations and financial results of PRC companies), risks related to the Qualified Foreign Investor (QFI) scheme, confiscatory taxation, the risk that the PRC government will decide not to continue to support economic reform programs, the risk of nationalization or expropriation of assets, lack of uniform auditing and accounting standards, less publicly available financial and other information, potential difficulties in enforcing contractual obligations and limitations on the ability to distribute dividends due to currency exchange issues, which could likely result in risk of loss of favorable tax treatment.

Additionally, the liquidity and availability of certain securities of Chinese issuers may be adversely affected by international sanctions, including those imposed by the United States. In mid-2021, the U.S. government announced a new sanctions program imposing restrictions on transactions by U.S. persons in publicly traded securities of certain designated Chinese issuers in the defense and surveillance sectors, as well as restrictions on transactions in derivatives and securities designed to provide investment exposure to those securities. A number of Chinese issuers have been designated under this program and more could be added. Although the full effect of these prohibitions is unclear, they may significantly reduce the liquidity of such securities, force a Client Account to sell certain positions at inopportune times or for unfavorable prices, and restrict future investments by a Client Account.

- **New Fund Risk.** It is possible that a new fund will not be successful in implementing its investment strategy, and its investment strategy will not be successful under all future market conditions, either of which could result in the fund being liquidated at some future time without shareholder approval, where applicable, or at a time that is not favorable for certain shareholders. New funds often do not attract sufficient assets to achieve investment, trading or other efficiencies.
- **Operational Risk:** NBS uses service providers from time to time in connection with its products. A Client Account's ability to transact with NBS can be negatively impacted due to operational risks arising from, among other problems, systems and technology disruptions or failures, or cybersecurity incidents. The occurrence of any of these problems could result in a loss of information, regulatory scrutiny, reputational damage and other consequences, any of which could have a material adverse effect on NBS or its clients. NBS, through its monitoring and oversight of its service providers, endeavors to determine that service providers take appropriate precautions to avoid and mitigate risks that could lead to such problems. However, it is not possible for NBS or its service providers to identify all of the operational risks that will affect NBS or to develop processes and controls to completely eliminate or mitigate their occurrence or effects.

Specifically, since the use of technology has become more prevalent in the course of managing Client Accounts, NBS and the Client Accounts it manages are likely more susceptible to operational risks through breaches in cybersecurity. A cybersecurity incident refers to either intentional or unintentional events that allow an unauthorized party to gain access to client assets, customer data, or proprietary information, or cause NBS to suffer data corruption or lose operational functionality. A cybersecurity incident could, among other things, result in the loss or theft of Client Account data or funds, clients or employees being unable to access electronic systems ("denial of services"), loss or theft of proprietary information or corporate data, physical damage to a computer or network system, or remediation costs associated with system repairs. Any of these results could have a substantial impact on Client Accounts. For example, if a cybersecurity incident results in a denial of service, service providers for a particular Client Account could be unable to access electronic systems to perform critical duties for such Client Account, such as trading, net asset value calculation or other accounting functions. Further, Client Accounts could also be exposed to losses resulting from unauthorized use of their personal information. Cybersecurity incidents could cause NBS or one of its service providers to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, or financial loss of a significant magnitude. Cybersecurity incidents could also cause NBS to violate applicable privacy and other laws. NBS has established risk management systems that seek to reduce the risks associated with cybersecurity, and business continuity plans in the event there is a cybersecurity breach. However, there is no guarantee that such efforts will succeed, and NBS does not directly control the cybersecurity systems of the issuers of securities in which Client Accounts invest or NBS's service providers. In addition, such incidents could

affect issuers in which a Client Account invests, and thereby cause a Client Account's portfolio investments to lose value.

- **Options.** NBS invests in options on behalf of a Client Account. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Although an option buyer's risk is limited to the amount of the original investment for the purchase of the option, an investment in an option could be subject to greater fluctuation than is an investment in the underlying securities. In theory, the writer (seller) of an uncovered call is subject to unlimited losses, but as a practical matter, the amount of potential loss is likely to be limited by reason of the option having only a limited term. The risk for a writer of a put option is that the price of the underlying securities will fall below the exercise price. The ability to trade in or exercise options could be restricted in the event that trading in the underlying securities interest becomes restricted. The prices of options are volatile and are influenced by, among other things, actual and anticipated changes in the value of the underlying instrument, or in interest or currency exchange rates, including the anticipated volatility of the underlying instrument (known as implied volatility), which in turn are affected by fiscal and monetary policies and by national and international political and economic events, as will the performance of the issuer of the underlying instrument. As such, prior to the exercise or expiration of the option, the Client Account is exposed to implied volatility risk, meaning the value, as based on implied volatility, of an option could increase due to market and economic conditions or views based on the sector or industry in which issuers of the underlying instrument participate, including company-specific factors.

Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of OTC options (options not traded on exchanges) are generally established through negotiation with the other party to the option contract. While this type of arrangement allows a Client Account greater flexibility to tailor an option to its needs, OTC options generally involve greater credit risk than exchange-traded options, in which the counterparty is a clearing organization.

The market price of options written by a Client Account will be affected by many factors, including changes in the market price or dividend rates of underlying securities (or in the case of indices, the securities comprising such indices); changes in interest rates or exchange rates; changes in the actual or perceived volatility of the relevant stock market and underlying securities; and the time remaining before an option's expiration. The market price of an option also could be adversely affected if the market for the option becomes less liquid. In addition, since an American-style option allows the holder to exercise its rights any time prior to the option's expiration, the writer of an American-style option has no control over when it will be required to fulfill its obligations as a writer of the option. (This risk is not present when writing a European-style option since the holder can only exercise the option on its expiration date.) There is also a risk of loss associated with the inability to close out of existing positions if those options were to

become unavailable. In addition, regulatory agencies often impose exercise restrictions that prevent the holder of an option from realizing value.

- **Performance-Based Fees and Allocations.** In some cases, NBS, its affiliates and the Portfolio Managers receive Performance Fees or other special allocations based on the returns to its investors. Performance Fees create incentives for NBS, its affiliates and the Portfolio Managers to make more risky or speculative investments, or otherwise make investment decision due to such incentives, than they would otherwise make. In addition, to the extent that a Client Account subject to a Performance Fees is invested in one or more Portfolio Funds or Separate Account that itself is also subject to a Performance Fee, the Client Account will generally be subject to two levels of Performance Fees. Consequently, the returns to investors will be lower than returns to a direct investor in the Portfolio Fund or Separate Account.
- **Projections.** NBS will make investments relying, in part, upon projections it has developed concerning an issuer or its securities or other assets' future performance, cash flow, recovery value and other factors. Projections are inherently uncertain and subject to factors beyond the control of NBS. The inaccuracy of certain assumptions, the failure of an issuer to satisfy certain financial requirements and the occurrence of unforeseen events could cause any such projection to be materially inaccurate. Investors should therefore carefully examine the assumptions behind a particular projection or targeted return.
- **Recent Market Conditions.** Events in certain sectors can result in an unusually high degree of volatility in the financial markets, both domestic and foreign. These events have included, but are not limited to: bankruptcies, corporate restructurings, and other events related to the sub-prime mortgage crisis in 2008; governmental efforts to limit short selling and high frequency trading; measures to address U.S. federal and state budget deficits; social, political, and economic instability in Europe; economic stimulus by the Japanese central bank; sudden shifts in oil prices; dramatic changes in currency exchange rates; China's economic slowdown; and Russia's recent invasion of Ukraine and the numerous sanctions imposed on Russia by the international community in response. Relatively high volatility and reduced liquidity in fixed income and credit markets could negatively affect many issuers worldwide, which would have an adverse effect on Client Accounts.

In addition, global economies and financial markets are increasingly interconnected, which increases the possibility that conditions in one country or region might adversely impact issuers in a different country or region.

Decisions by the Federal Reserve regarding interest rate and monetary policy, which can be difficult to predict and sometimes change direction suddenly in response to economic and market events, continue to have a significant impact on securities prices as well as the overall strength of the U.S. economy.

Global climate change could have an adverse effect on property and security values. A rise in sea levels or a storm-driven increase in coastal flooding could cause such

properties to lose value or become unmarketable altogether. Large wildfires driven by high winds and prolonged drought could devastate entire communities and could be very costly to any business found to be responsible for the fire. These losses could adversely affect mortgage lenders, the value of mortgage-backed securities, the bonds of municipalities that depend on tax revenues and tourist dollars generated by such properties, and insurers of the property or municipal or mortgage-backed securities. Since property and security values are driven largely by buyers' perceptions, it is difficult to know the time period over which these effects might unfold. Economists warn that, unlike previous declines in the real estate market, properties in coastal flood zones will never recover their value. In addition, voluntary initiatives and mandatory controls have been adopted or are being discussed worldwide to reduce emissions or "greenhouse gases" such as carbon dioxide, a by-product of burning fossil fuels, and methane, the major constituent of natural gas, which many scientists and policymakers believe contribute to global climate change. These measures, and other programs addressing greenhouse gas emissions, could reduce demand for energy or raise prices, and could have an adverse impact on investments made for Client Accounts.

The situation in the financial markets following the 2008 financial crisis resulted in the U.S. and other governments and the Federal Reserve and certain non-U.S. central banks taking steps to support financial markets. In some countries where economic conditions have somewhat recovered, they are nevertheless perceived as still fragile. Withdrawal of government support, failure of efforts in response to the crisis, or investor perception that such efforts have not succeeded could adversely impact the value and liquidity of certain securities. The severity or duration of adverse economic conditions is also often affected by policy changes made by governments or quasi-governmental organizations, including changes in tax laws. The impact of new financial regulation legislation on the markets and the practical implications for market participants are often not fully known for some time. Regulatory changes are causing some financial services companies to exit long-standing lines of business, resulting in dislocations for other market participants. In addition, political events within the U.S. and abroad can affect investor and consumer confidence and adversely impact financial markets and the broader economy, perhaps suddenly and to a significant degree. High public debt in a number of countries creates ongoing systemic and market risks and policymaking uncertainty. The numerous countries struggling under such public debt has brought to the forefront tension within the European economic structure that, if not handled skillfully, could result in economic disruption in the Eurozone, which could occur abruptly. Political and military events, including in North Korea, Venezuela, Iran, Syria, and other areas of the Middle East, and nationalist unrest in Europe and South America, also can cause market disruptions. The precise details and the resulting impact of the United Kingdom's departure from the European Union (the "EU"), are discussed in "Recent Market Conditions – Brexit" in this Item 8.C.

In the United States, political and diplomatic events, including a contentious domestic political environment, changes in political party control of one or more branches of the U.S. government, the U.S. government's inability at times to agree on a long-term budget and deficit reduction plan, the threat of a U.S. government shutdown, and disagreements

over, or threats not to increase, the U.S. government's borrowing limit (or "debt ceiling"), as well as political and diplomatic events abroad, may affect investor and consumer confidence and may adversely affect financial markets and the broader economy, perhaps suddenly and to a significant degree. A downgrade of the ratings of U.S. government debt obligations, or concerns about the U.S. government's credit quality in general, could have a substantial negative effect on the U.S. and global economies. Moreover, although the U.S. government has honored its credit obligations, it remains possible that the United States could default on its obligations. The consequences of such an unprecedented event are impossible to predict, but it is likely that a default by the United States would be highly disruptive to the U.S. and global securities markets and could significantly impair the value of a Client Account's investments.

Russia's invasion of Ukraine, and corresponding events in late February 2022, have had, and could continue to have, severe adverse effects on regional and global economic markets for securities and commodities. Following Russia's actions, various governments, including the United States, have issued broad-ranging economic sanctions against Russia, including, among other actions, a prohibition on doing business with certain Russian companies, large financial institutions, officials and oligarchs; the removal by certain countries and the European Union of selected Russian banks from the Society for Worldwide Interbank Financial Telecommunications ("SWIFT"), the electronic banking network that connects banks globally; and restrictive measures to prevent the Russian Central Bank from undermining the impact of the sanctions. The current events, including sanctions and the potential for future sanctions, including any impacting Russia's energy sector, and other actions, and Russia's retaliatory responses to those sanctions and actions, may continue to adversely impact the Russian and Ukrainian economies and may result in the further decline of the value and liquidity of Russian and Ukrainian securities, a continued weakening of the ruble and hryvnia and continued exchange closures, and may have other adverse consequences on the Russian and Ukrainian economies that could impact the value of these investments and impair the ability of a Client Account to buy, sell, receive or deliver those securities. Moreover, those events have, and could continue to have, an adverse effect on global markets performance and liquidity, thereby negatively affecting the value of a Client Account's investments beyond any direct exposure to Russian and Ukrainian issuers. The duration of ongoing hostilities and the vast array of sanctions and related events cannot be predicted. Those events present material uncertainty and risk with respect to markets globally and the performance of a Client Account and its investments or operations could be negatively impacted.

These and other events and the potential for continuing market turbulence can have an adverse effect on Client Accounts. Because the impact on the markets has been widespread, it is be difficult to identify both risks and opportunities using past models of the interplay of market forces, or to predict the duration of these market conditions. Changes in market conditions will not have the same impact on all types of securities. Interest rates had been unusually low in recent years in the U.S. and abroad, but the Federal Reserve in the United States increased interest rates by four and one-quarter percentage point in February 2023, when it signaled its intention to effect further rate

increases in the future. Actions taken by the Federal Reserve or foreign central banks to stimulate or stabilize economic growth, such as interventions in currency markets, could cause high volatility in the market. The U.S. is also renegotiating many of its global trade relationships and has imposed or threatened to impose significant import tariffs. These actions could lead to price volatility and overall declines in U.S. and global investment markets. A significant increase in interest rates could cause a decline in the market for equity securities. Also, regulators have expressed concern that rate increases contribute to price volatility.

In addition, there is a risk that the prices of goods and services in the U.S. and many non-U.S. economies will decline over time, known as deflation (the opposite of inflation). Deflation could have an adverse effect on stock prices and creditworthiness and would make defaults on debt more likely. If a country's economy slips into a deflationary pattern, it could last for a prolonged period and is often difficult to reverse.

- **Recent Market Conditions – Brexit.** In January 2020, the United Kingdom (“UK”) left the EU, commonly referred to as “Brexit.”

Following a transition period during which the EU and the UK Government engaged in a series of negotiations regarding the terms of the UK's future relationship with the EU, the EU and the UK government signed a trade and cooperation agreement (the “Trade and Cooperation Agreement”) on 30 December, 2020 regarding the economic relationship between the UK and the EU. This agreement became effective on a provisional basis on January 1, 2021 and became permanent on May 1, 2021 after it received formal approval from the European Parliament and the European Council. While the economic integration does not reach the level that existed during the time the United Kingdom was a member state of the European Union, the Trade and Cooperation Agreement sets out preferential arrangements in areas such as trade in goods and in services, digital trade and intellectual property. Negotiations between the United Kingdom and the European Union are expected to continue in relation to the relationship between the United Kingdom and the European Union in certain other areas that are not covered by the Trade and Cooperation Agreement. The long term effects of Brexit will depend on the effects of the implementation and application of the Trade and Cooperation Agreement and any other relevant agreements between the United Kingdom and the European Union

As such, it is also difficult to assess the precise impact of Brexit on U.S.-based and other Client Accounts. This uncertainty will likely continue to adversely impact the global economic climate and impact companies or assets, including with respect to opportunity, pricing, regulation, value or exit, considered for prospective investment by a Client Account, including in particular companies based in, doing business in, or having service or other significant relationships in, the UK or the EU. Brexit could cause greater market volatility and illiquidity, currency fluctuations, deterioration in economic activity, a decrease in business confidence, and increased likelihood of a recession in the UK. The future application of EU-based legislation generally, and to banking, financial services and insurance industries in particular, will ultimately depend on how the UK renegotiates its relationship with the EU. There is no assurance that any renegotiated terms or regulations will not have an adverse impact on the Client Accounts or NBS, including the ability of a Client Account to achieve its investment objective. The outcome could also impact the affiliated entities that advise or sub-advise the Client Accounts or to which NBS delegates investment or

other authority.

- **Recent Regulatory Events and Government Intervention.** The situation in the financial markets has resulted in increased regulation, and the need of many financial institutions for government help has given lawmakers and regulators increased leverage. The Dodd-Frank Act, among other things, granted regulatory authorities broad rulemaking and enforcement authority to implement and oversee various provisions of the Dodd-Frank Act, including comprehensive regulation of over-the-counter derivatives and consumer credit markets. The Dodd-Frank Act covers a broad range of topics, including (among many others) a reorganization of federal financial regulators; a process intended to improve financial systemic stability and the resolution of potentially insolvent financial firms; new rules for derivatives trading; the creation of a consumer financial protection watchdog; the registration and additional regulation of hedge and private equity fund managers; and new federal requirements for residential mortgage loans. The U.S. Government or its agencies could also acquire distressed assets from financial institutions and acquire ownership interests in such institutions. The implications of government ownership and disposition of these assets are unclear and such a program can have positive or negative effects on liquidity, valuations and performance of Client Accounts. Instruments in which Client Accounts invest, or the issuers of such instruments, could be affected in ways that are unforeseeable.

Further, the Dodd-Frank Act created the Financial Stability Oversight Council ("FSOC"), an interagency body charged with identifying and monitoring systemic risks to financial markets. The FSOC has the authority to require that nonbank financial companies that are "predominantly engaged in financial activities," such as Client Accounts or NBIA, whose failure it determines would pose systemic risk be placed under the supervision of the Federal Reserve. The FSOC has the authority to recommend that the Federal Reserve adopt more stringent prudential standards and reporting and disclosure requirements for nonbank financial companies supervised by the Federal Reserve. Such disclosure requirements may include the disclosure of the identity of investors in private funds. The FSOC also has the authority to make recommendations to the Federal Reserve on various other matters that may affect the Client Accounts, including requiring financial firms to submit resolution plans, mandating credit exposure reports, establishing concentration limits, and limiting short-term debt. The FSOC also may recommend that other U.S. federal financial regulators impose more stringent regulation upon, or ban altogether, financial activities of any financial firm that poses what it determines to be significant risks to the financial system. In the event that the FSOC designates a Client Account and/or NBIA as a systemic risk to be placed under the Federal Reserve's supervision, the Client Account could face stricter prudential standards, including risk-based capital requirements, leverage limits, liquidity requirements, concentration requirements, and overall risk management requirements, among other restrictions. Such requirements could hinder the Client Account's ability to meet its investment objective and may place the Client Account at a disadvantage with respect to its competitors.

Over time, a Client Account's adherence to new recordkeeping and reporting requirements imposed by the Dodd-Frank Act and related regulations may increase the Client Account's expenses. Also, as a result of the Dodd-Frank Act, the Client Accounts may have to disclose confidential information to the SEC, which in turn could share the information with the FSOC and Congress. The Dodd-Frank Act contains provisions to protect private funds' confidential information; however there is always the risk of inadvertent or intentional information leaks from government agencies and/or mistakes in the handling of such confidential information.

The statutory requirements of the Dodd-Frank Act are being implemented primarily through rules and regulations adopted by the SEC and/or the CFTC. There is a prescribed phase-in period during which most of the mandated rulemaking and regulations are being implemented, and temporary exemptions from certain rules and regulations have been granted so that current trading practices will not be unduly disrupted during the transition period. However, the consequences of the extensive changes to the regulation of various markets and market participants contemplated by the Dodd-Frank Act and increased regulation arising out of the recent financial crisis are still difficult to predict or measure with certainty. Until the regulations mandated by the Dodd-Frank Act are implemented completely, it will not be possible to determine the complete impact of the Dodd-Frank Act and related regulations on the Client Accounts. Additionally, other G-20 countries have implemented or are in the process of adopting regulations to govern swap transactions, and particular transactions will be subject to the laws and regulations of other jurisdictions.

Changes in political administrations could herald changes in certain policies, among them proposals relating to the regulation of certain players in the financial markets. While those proposed policies are going through the political process, markets could react strongly to expectations, which could increase volatility, especially if a market's expectations for changes in government policies are not borne out.

Client Accounts are also subject to the risk of local, national and global economic disturbances based on unknown conditions in the markets in which the Client Accounts invests. In the event of such disturbances, issuers of securities held by a Client Account could suffer significant declines in the value of these assets and even terminate operations. Such issuers also could receive government assistance accompanied by increased control and restrictions or other government intervention. It is not clear whether the U.S. Government will intervene in response to such disturbances and effect of any such intervention is unpredictable.

Additionally, on February 9, 2022, the SEC released proposed rules under the Advisers Act that, if adopted as proposed, would significantly expand the regulatory landscape applicable to private fund advisers. The SEC has indicated that it plans to vote on whether to adopt these rules in April 2023. Among other changes, the proposed rules would: (i) require annual audits of private funds; (ii) require enhanced transparency to investors about the costs of investing in a private fund and the performance of such fund; (iii) limit

and/or ban certain transactions or activities that represent a conflict of interest for a private fund adviser; and (iv) prohibit certain sales practices that are contrary to the public interest and protection of investors.

- **Redemption Risk.** A Client Account could experience periods of heavy redemptions that could cause a Client Account to sell assets at inopportune times or at a loss or depressed value. Redemption risk is greater to the extent that one or more investors or intermediaries control a large percentage of investments in a Client Account, have short investment horizons, or have unpredictable cash flow needs. In addition, redemption risk is heightened during periods of declining or illiquid markets. Heavy redemptions, whether by a few large investors or many smaller investors, could hurt a Client Account's performance. A general rise in interest rates has the potential to cause investors to move out of fixed income securities on a large scale, which would likely increase redemptions from Client Accounts that hold large amounts of fixed income securities. Such a move, coupled with a reduction in the ability or willingness of dealers and other institutional investors to buy or hold fixed income securities would likely result in decreased liquidity and increased volatility in the fixed income markets.
- **Reliance on Corporate Management and Financial Reporting.** NBS will select investments for Client Accounts in part on the basis of information and data filed by issuers of securities with various government regulators, publicly available or made directly available to NBS by such issuers or third parties. Although NBS will evaluate all such information and data and seek independent corroboration when it considers it appropriate and reasonably available, NBS will not always be in a position to confirm the completeness, genuineness or accuracy of such information and data. NBS is dependent upon the integrity of the management of such issuers and of such third parties as well as the financial reporting process in general. Client Accounts can incur material losses as a result of corporate mismanagement, fraud and accounting irregularities relating to issuers of securities or other assets they hold.
- **Repurchase Agreements and Reverse Repurchase Agreements.** In a repurchase agreement, the Client Account purchases securities from a bank or securities dealer that agrees to repurchase the securities from the Client Account at a higher price on demand or on a designated future date. Repurchase agreements generally are for a short period of time, usually less than a week. Costs, delays or losses could result if the selling party to a repurchase agreement becomes bankrupt or otherwise defaults.

A reverse repurchase agreement involves the sale of a security, with an agreement to repurchase the same or substantially similar securities at an agreed upon price and date. As such, they are a form of financing and leverage. Whether such a transaction produces a gain for the Client Account depends upon the cost of the agreement and the income and gains on the securities purchased with the proceeds received from the sale of the repurchased security. If the income and gain on the securities purchased fail to exceed the costs, or if the Client Account incurs a loss on such securities, the Client Account will incur a loss on the leveraged transactions. As a leveraging technique, reverse repurchase

agreements often increase a Client Account's yield; however, such transactions also increase the Client Account's risks and could result in a loss of principal.

- **Risks of Investing in Affiliated Portfolio Funds.** Certain Client Accounts invest in Affiliated Portfolio Funds. The investment performance of such a Client Account is directly related to the investment performance of those Affiliated Portfolio Funds and to the allocation of its assets among those Affiliated Portfolio Funds. When a Client Account invests in Affiliated Portfolio Funds it is exposed to the same principal risks as the Affiliated Portfolio Funds as well as to the Affiliated Portfolio Funds' expenses in direct proportion to the allocation of its assets to the Affiliated Portfolio Funds, which could result in the duplication of certain fees, including, where applicable, management and administration fees.
- **Sector Risk.** To the extent a Client Account invests more heavily in particular sectors, industries, or sub-sectors of the market, its performance will be especially sensitive to developments that significantly affect those sectors, industries, or sub-sectors. An individual sector, industry, or sub-sector of the market can be more volatile, and can perform differently, than the broader market. The several industries that constitute a sector could all react in the same way to economic, political or regulatory events. A Client Account's performance could be affected if the sectors, industries, or sub-sectors do not perform as expected. Alternatively, the lack of exposure to one or more sectors or industries could adversely affect performance.
- **Short Sale Risk.** Short sales are subject to special risks. A short sale involves the sale by a Client Account of a security that it does not own with the hope of purchasing the same security at a later date at a lower price. A Client Account could also enter into a short position through a forward commitment or a short derivative position through a futures contract or swap agreement. If the price of the security or derivative has increased during this time, then the account will incur a loss equal to the increase in price from the time that the short sale was entered into plus any premiums and interest paid to the third party. Therefore, short sales involve the risk that losses will be exaggerated, potentially causing a loss of more money than the actual cost of the investment. Also, there is the risk that the third party to the short sale will fail to honor its contract terms, causing a loss to the account.
- **Swaps.** NBS utilizes swaps where it believes it will further the objectives of a Client Account that permits such instruments. Swap agreements historically have been OTC, two-party contracts entered into primarily by institutional investors for periods typically 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 is often adjusted for an interest factor. There are various types of swaps, including but not limited to, total return swaps, credit default swaps and interest rate swaps; all of these and other swaps are derivatives and as such, each is subject to the general risks relating to derivatives described herein.

The Dodd–Frank Act has created an evolving regulatory framework for trading swaps in the United States. Under the Dodd-Frank Act, standardized swaps are required to be executed on or subject to the rules of designated contract markets or swap execution facilities and cleared by a central counterparty, a derivatives clearing organization. Central clearing is intended to reduce the risk of default by the counterparty. However, central clearing exposes Client Accounts to the clearing organization and clearing broker risks referenced above. Central clearing also can increase the costs of swap transactions by requiring the posting of larger amounts of initial and variation margin than are required in OTC transactions. On the other hand, given the longer time horizon to be covered, lesser opportunities for netting, and likely less standardization of the instruments involved, margin on bilateral positions could be greater. It is possible that a clearing organization or a clearing member or futures commission merchant through which a swap is submitted for clearing will default. The regulations to implement the Dodd-Frank Act are still being developed so there will likely be further changes to the rules governing swap transactions.

Interest Rate Swaps, Mortgage Swaps, and Interest Rate “Caps,” “Floors,” and “Collars.” In a typical interest rate swap agreement, one party agrees to make regular payments equal to a floating rate on a specified amount in exchange for payments equal to a fixed rate, or a different floating rate, on the same amount for a specified period. Mortgage swap agreements are similar to interest rate swap agreements, except the notional principal amount is tied to a reference pool of mortgages. In an interest rate cap or floor, one party agrees, usually in return for a fee, to make payments under particular circumstances. For example, the purchaser of an interest rate cap has the right to receive payments to the extent a specified interest rate exceeds an agreed level; the purchaser of an interest rate floor has the right to receive payments to the extent a specified interest rate falls below an agreed level. An interest rate collar entitles the purchaser to receive payments to the extent a specified interest rate falls outside an agreed range.

Among other techniques, a Client Account can use interest rate swaps to offset declines in the value of fixed income securities held in the Client Account. In such an instance, NBS can agree with a counterparty to pay a fixed rate (multiplied by a notional amount) and the counterparty to pay a floating rate multiplied by the same notional amount. If long-term interest rates rise, resulting in a diminution in the value of the Client Account’s portfolio, the Client Account would receive payments under the swap that would offset, in whole or in part, such diminution in value; if interest rates fall, the Client Account would likely lose money on the swap transaction. NBS could also enter into constant maturity swaps, which are a variation of the typical interest rate swap. Constant maturity swaps are exposed to changes in long-term interest rate movements.

Total Return Swaps. NBS will enter into total return swaps (“TRS”) to obtain exposure to a security or market without owning or taking physical custody of such security or market. Thus, a Client Account would be either a total return receiver or a total return payer. Generally, the total return payer sells to the total return receiver an amount equal to all cash flows and price appreciation on a defined security or asset payable at periodic times during the swap term (i.e., credit risk) in return for a periodic payment from the

total return receiver based on a designated index (e.g., SONIA) and spread, plus the amount of any price depreciation on the reference security or asset. The total return payer does not need to own the underlying security or asset to enter into a total return swap. The final payment at the end of the swap term includes final settlement of the current market price of the underlying reference security or asset, and payment by the applicable party for any appreciation or depreciation in value. Usually, collateral must be posted by the total return receiver to secure the periodic interest-based and market price depreciation payments depending on the credit quality of the underlying reference security and creditworthiness of the total return receiver, and the collateral amount is marked-to-market daily equal to the market price of the underlying reference security or asset between periodic payment dates.

TRS agreements are often used to obtain exposure to a security or market without owning or taking physical custody of such security or market. TRS can effectively add leverage to a Client Account because, in addition to the net assets of the Client Account, the Client Account would be subject to investment exposure on the notional amount of the swap. If a Client Account is the total return receiver in a TRS, then the credit risk for an underlying asset is transferred to the Client Account in exchange for its receipt of the return (appreciation) on that asset. If a Client Account is the total return payer, it is hedging the downside risk of an underlying asset but it is obligated to pay the amount of any appreciation on that asset.

Contracts for Differences. Certain non-U.S. Client Accounts will enter into contracts for differences. In these transactions, the Client Account and another party assume price positions in reference to an underlying security or other financial instrument. The “difference” is determined by comparing each party’s original position with the market price of such securities or financial instruments at a pre-determined closing date. Each party will then either receive or pay the difference, depending on the success of its investment.

Financial markets for the securities or instruments that form the subject of a contract for differences can fluctuate significantly. Parties to a contract for differences assume the risk that the markets for the underlying securities will move in a direction unfavorable to their original positions. In addition, these contracts often involve considerable economic leverage. As a result, such contracts can lead to disproportionately large losses as well as gains and relatively small market movements can have large impacts on the value of the investment.

Credit Default Swaps. In a credit default swap, the credit default protection buyer makes periodic payments, known as premiums, to the credit default protection seller. In return, the credit default protection seller will make a payment to the credit default protection buyer upon the occurrence of a specified credit event. A credit default swap can refer to a single issuer or asset, a basket of issuers or assets or index of assets, each known as the reference entity or underlying asset. A Client Account could act as either the buyer or the seller of a credit default swap. A Client Account could buy or sell credit default protection on a basket of issuers or assets, even if a number of the underlying assets referenced in

the basket are lower-quality debt securities. In an unhedged credit default swap, a Client Account buys credit default protection on a single issuer or asset, a basket of issuers or assets or index of assets without owning the underlying asset or debt issued by the reference entity. Credit default swaps involve greater and different risks than investing directly in the referenced asset, because, in addition to market risk, credit default swaps include liquidity, counterparty and operational risk.

Credit default swaps allow Client Accounts to acquire or reduce credit exposure to a particular issuer, asset or basket of assets. If a swap agreement calls for payments by a Client Account, the Client Account must be prepared to make such payments when due. If a Client Account is the credit default protection seller, the Client Account will experience a loss if a credit event occurs and the credit of the reference entity or underlying asset has deteriorated. If a Client Account is the credit default protection buyer, the Client Account will be required to pay premiums to the credit default protection seller. In the case of a physically settled credit default swap in which a Client Account is the protection seller, the Client Account must be prepared to pay par for and take possession of debt of a defaulted issuer delivered to the Client Account by the credit default protection buyer. Any loss would be offset by the premium payments the Client Account receives as the seller of credit default protection. If a Client Account sells (writes) a credit default swap, it currently intends to segregate the full notional value of the swap, except if the Client Account sells a credit default swap on an index with certain characteristics (i.e., on a broad based index and cash settled) where NBS believes segregating only the amount out of the money more appropriately represents the exposure of the Client Account.

Credit Linked Notes. Certain Client Account will invest in CLNs. CLNs are typically issued by a limited purpose trust or other vehicle (the "CLN trust") that, in turn, invests in a derivative or basket of derivatives instruments, such as credit default swaps, interest rate swaps or other securities, in order to provide exposure to certain high yield, sovereign debt, emerging markets, or other fixed income markets. Generally, investments in CLNs represent the right to receive periodic income payments (in the form of distributions) and payment of principal at the end of the term of the CLN. However, these payments are conditioned on the CLN trust's receipt of payments from, and the CLN trust's potential obligations, to the counterparties to the derivative instruments and other securities in which the CLN trust invests. For example, the CLN trust could sell one or more credit default swaps, under which the CLN trust would receive a stream of payments over the term of the swap agreements provided that no event of default has occurred with respect to the referenced debt obligation upon which the swap is based. If a default were to occur, the stream of payments would likely stop and the CLN trust would be obligated to pay the counterparty the par (or other agreed upon value) of the referenced debt obligation. This, in turn, would reduce the amount of income and principal that a Client Account would receive as an investor in the CLN trust.

Certain Client Accounts will enter in CLNs to gain access to sovereign debt and securities in emerging markets, particularly in markets where the Client Account is not able to purchase securities directly due to domicile restrictions or tax restrictions or tariffs. In such an instance, the issuer of the CLN could purchase the reference security directly or

gain exposure through a credit default swap or other derivative. Investments in CLNs are subject to the risks associated with the underlying reference obligations and derivative instruments, including, among others, credit risk, default risk, counterparty risk, interest rate risk, leverage risk and management risk.

Options on Swaps (Swaptions). A swaption is an option to enter into a swap agreement. The purchaser of a swaption pays a premium for the option and obtains the right, but not the obligation, to enter into an underlying swap on agreed-upon terms. The seller of a swaption, in exchange for the premium, becomes obligated (if the option is exercised) to enter into an underlying swap on agreed-upon terms. Depending on the terms of the particular option agreement, a Client Account generally will incur a greater degree of risk when it writes a swaption than when it purchases a swaption. When a Client Account purchases a swaption, it risks losing only the amount of the premium it has paid should it decide to let the option expire unexercised.

- **Systemic Risk General.** It is possible that credit risk will arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a “systemic risk” and often adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which NBS interacts on a daily basis.
- **Tax Risk.** Tax laws and regulations applicable to a Client Account are subject to change, and unanticipated tax liabilities could be incurred by investors as a result of such changes. A Client Account’s U.S. federal income tax liability with respect to income and gains on an investment could exceed its overall return for such a year. Further, a Client Account could face limitations with respect to its ability to use its allocable share of deductions and losses from its investments in certain securities. The tax treatment of some strategies is uncertain. Investors should consult their own tax advisors to determine the potential tax-related consequences of investing in a Client Account.
- **Terrorism Risk.** Terrorist attacks often lead to increased short-term market volatility and could have long-term effects on United States and world economies and markets. Terrorist attacks also could adversely impact interest rates, auctions, secondary trading, ratings, credit risk, inflation and other factors relating to a Client Account’s securities and adversely affect such account’s service providers and operations.
- **Tracking Error Risk.** Tracking error risk refers to the risk that the performance of a Client Account does not match or correlate to that of the index it attempts to track, either on a daily or aggregate basis. Factors such as fees and trading expenses, imperfect correlation between the Client Account’s investments and the index, changes to the composition of the index, regulatory policies, high portfolio turnover rate and the use of leverage all contribute to tracking error. Tracking error risk can cause the performance of a Client Account to be less or more than expected.

- **Valuation Risk.** The price at which a Client Account could sell any particular investment can differ from the Client Account's valuation of the investment. Such differences could be significant, particularly for Private Investments, illiquid securities and securities that trade in relatively thin markets or markets that experience extreme volatility. If market or other conditions make it difficult to value some investments, (including Private Investments), NBS could value these investments using more subjective methods, such as fair value methodologies. Because nonpublic financial and operational information regarding some investments are not always disclosed or are disclosed at irregular intervals, it is possible that NBS will value the investment differently than other managers. For Client Accounts that generate a daily NAV, such as NB Registered Funds, investors who purchase or redeem shares on days when the NB Registered Fund is holding fair-valued securities could receive fewer or more shares, or lower or higher redemption proceeds, than they would have received if the NB Registered Fund had not fair-valued the securities or had used a different valuation methodology. The value of foreign securities, certain futures and fixed income securities, and currencies, as applicable, could be materially affected by events after the close of the markets on which they are traded but before the Client Account determines its NAV.

A Client Account may use pricing services to provide values for certain securities, and there is no assurance that a Client Account will be able to sell an investment at the price established by such pricing services. Different pricing services use different valuation methodologies, potentially resulting in different values for the same investments. As a result, if a Client Account were to change pricing services, or if a pricing service were to change its valuation methodology, the value of the Client Account's investments could be affected.

A Client Account's ability to value its investments in an accurate and timely manner can also be affected by technological issues or errors by third party service providers, such as pricing services (as noted above) or accounting agents.

- **When-Issued and Delayed Delivery Transactions Risk.** When-issued and delayed-delivery transactions occur when securities are purchased or sold by the Client Account with payment and delivery taking place in the future to secure an advantageous yield or price. These transactions often expose the Client Account to counterparty risk of default as well as the risk that securities will experience fluctuations in value prior to their actual delivery. Purchasing securities on a when-issued or delayed-delivery basis involves the additional risk that the price available in the market when the delivery takes place will not be as favorable as (or the yield will be more favorable than) that obtained in the transaction.

Additional Risks for Fixed Income Strategies

The following is a summary of material risks specific to NBS fixed income strategies that should be considered along with the general risks listed above. These risks also apply to alternative and

Multi-Asset Class Mandate strategies that incorporate fixed income strategies. Please note that certain risks do not apply to all NBS fixed income strategies or apply to a material degree.

- **Asset-Backed Securities.** Asset-backed securities represent direct or indirect participations in, or are secured by and payable from, pools of assets such as, among other things, motor vehicle installment sales contracts, installment loan contracts, leases of various types of real and personal property, and receivables from revolving credit (credit card) agreements, or a combination of the foregoing. These assets are securitized through the use of trusts and special purpose vehicles. Credit enhancements, such as various forms of cash collateral accounts or letters of credit, can support payments of principal and interest on asset-backed securities. Although these securities can be supported by letters of credit or other credit enhancements, payment of interest and principal ultimately depends upon individuals or other borrowers paying the underlying loans, which are often affected adversely by general downturns in the economy. Asset-backed securities are subject to the same risk of prepayment associated with mortgage-backed securities.
- **Bank Loan Agents.** Bank loans are typically administered by a bank, insurance company, finance company or other financial institution (the “agent”) for a lending syndicate of financial institutions. In a typical bank loan, the agent administers the terms of the loan agreement and is responsible for the collection of principal and interest and fee payments from the borrower and the apportionment of these payments to all lenders that are parties to the loan agreement. In addition, an institution (which can be the agent) often hold collateral on behalf of the lenders. Typically, under loan agreements, the agent is given broad authority in monitoring the borrower’s performance and is obligated to use the same care it would use in the management of its own property. In asserting rights against a borrower, the Client Account normally would be dependent on the willingness of the lead bank to assert these rights, or upon a vote of the lenders to authorize the action.

If an agent becomes insolvent, or has a receiver, conservator, or similar official appointed for it by the appropriate bank or other regulatory authority, or becomes a debtor in a bankruptcy proceeding, the agent’s appointment is terminated and a successor agent is appointed. If an appropriate regulator or court determines that assets held by the agent for the benefit of the purchasers of bank loans are subject to the claims of the agent’s general or secured creditors, the purchasers might incur certain costs and delays in realizing payment on a bank loan or suffer a loss of principal or interest.

- **Call Risk.** When interest rates are low, issuers will often repay the obligation underlying a “callable security” earlier than expected, thereby affecting the investment’s average life and perhaps its yield. Furthermore, the Client Account will likely have to reinvest the proceeds from the called security at the current, lower rates.
- **Collateralized Loan Obligations (“CLOs”).** Certain Client Accounts invest in CLOs. CLOs issue classes or “tranches” that vary in risk and yield. The value of CLOs generally will fluctuate with, among other things, the financial condition of the obligors or issuers of the

underlying portfolio of assets of the related CLO, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. Client Accounts that invest in CLOs can experience substantial losses due to actual defaults, decrease of market value due to collateral defaults and disappearance of subordinate tranches, market anticipation of defaults, and investor aversion to CLO securities as a class. The risks of investing in CLOs depend largely on the type of the underlying collateral. Holders of CLOs rely on distributions on the underlying collateral or proceeds thereof for payment in respect of the applicable CLO. If distributions on the underlying collateral are insufficient to make payments on the CLOs, generally, no other assets are available for payment of the deficiency, and following realization of the CLOs, the obligations of the issuer to pay such deficiency will generally be extinguished.

- **Credit Risk.** A Client Account could lose money if the issuer or guarantor of a security (including a security purchased with securities lending collateral), or the counterparty to a derivatives contract, repurchase agreement or a loan of portfolio securities, is unable or unwilling, or is perceived (whether by market participants, rating agencies, pricing services or otherwise) as unable or unwilling, to honor its obligations. The downgrade of the credit of a security or of the issuer of the security held by the Client Account often reduces its value. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings.
- **Distressed Securities.** A Client Account where the strategy invests in distressed securities is generally exposed to greater risks than if the strategy invested only in higher-grade securities. Distressed securities are those issued by companies that are, or might be, involved in reorganizations or financial restructurings, either out of court or in bankruptcy. As a result, it is often difficult to obtain information as to the true condition of financially distressed securities. In certain periods, there is little or no liquidity in the markets for distressed securities or instruments. The prices of such securities could be subject to periods of abrupt and erratic market movements and above-average price volatility and it could be more difficult to value such securities. Distressed securities and any securities received in an exchange for distressed securities could be subject to restrictions on resale. The Client Account could lose a substantial portion or all of its investment in distressed securities or be required to accept cash or securities with a value less than the account's original investment.
- **Fixed-Income Securities.** Fixed-income securities include traditional debt securities issued by corporations, such as bonds and debentures and debt securities that are convertible into common stock and interests. The market value of fixed-income securities is sensitive to changes in interest rates. In general, when interest rates rise, the fixed-income security's market value declines and when interest rates decline, its value rises. Normally, the longer the remaining maturity of a security, the greater the effect of interest rate changes on the market value of the security. In addition, changes in the ability of an issuer to make payments of interest and principal and in the market's perception of an issuer's creditworthiness affect the market value of fixed-income securities of that issuer.

Fixed-income securities are also often subject to yield curve risk. When the yield curve shifts, the price of a bond which was initially priced based on the initial yield curve will change. Yield curve risk is reduced by keeping the duration of the bond portfolio relatively short.

Additionally, fixed-income securities are subject to inflation risk, liquidity risk and reinvestment risk. Inflation risk is the risk that inflation will erode the purchasing power of the cash flows generated by debt securities. Fixed-rate debt securities are more susceptible to this risk than floating rate debt securities. Liquidity risk is the risk that certain fixed income securities will be difficult to sell at the time and at the price the account would like, which could cause the Client Account to hold these securities for longer than it would like or to forego other investment opportunities. Reinvestment risk is the risk that when interest income from debt securities is reinvested, interest rates will have declined so that income must be reinvested at a lower interest rate. A decline in income could affect an Client Account's overall return.

- **Foreclosure Process in Distressed Debt and Mortgage Loans.** With respect to Client Accounts that invest in distressed debt, NBS generally concentrates on acquiring debt that is secured by assets that NBS believes have a value adequate to ensure payment of such debt. However, if it becomes necessary to foreclose on the assets underlying a loan acquired by a Client Account, significant uncertainty could arise as to the outcome of the proceeding. Bankruptcy judges have broad discretion as to how they deal with the claims of different creditors, and the claims of secured creditors will not — despite their legal entitlement — always be respected as a matter of policy. These Client Accounts can make investments in restructurings and workouts that involve companies that are experiencing, or are expected to experience, severe financial difficulties, which are never be overcome and lead to uncertain outcomes. The Bankruptcy Courts have broad discretion to control the terms of a reorganization, and political factors are often of significant importance in the more high profile bankruptcies.

The foreclosure process with respect to the residential mortgage loan strategy can result in procedural delays and uncertainties in many jurisdictions. Federal, state and local laws and ordinances have considered or are considering, legislation or regulations that would hinder or delay foreclosure proceedings against defaulted mortgage borrowers, or limit a residential mortgage loan servicer's ability to take actions that are necessary or appropriate to preserve mortgage loan value. Judicial decisions also have imposed significant requirements and burdens on lenders that could result in delays and further expense. The inability to foreclose on defaulted borrowers when or as anticipated, or an increase of expenses for foreclosure proceedings, could result in increased costs, reduced collections and lower returns. In addition, any limitations on foreclosure are likely to cause delayed or reduced collections from mortgagors and generally increased servicing costs.

- **Inflation Risk.** Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of a Client Account can decline. In addition, during

periods of rising inflation, short term interest rates would likely increase, potentially reducing returns to clients. Inflation rates may change frequently and drastically as a result of various factors, including unexpected shifts in the domestic or global economy, and a Client Account's investments may be affected, which may reduce the Client Account's performance. Further, if inflation leads to a rise in interest rates, such rise in interest rates may negatively affect the value of debt instruments held by a Client Account, resulting in a negative impact on the Client Account's performance. Generally, securities issued in emerging markets are subject to a greater risk of inflationary or deflationary forces, and more developed markets are better able to use monetary policy to normalize markets.

Current economic indicators have shown inflation accelerating at a faster pace than in recent years. These circumstances may continue for an extended period of time, and may continue to affect adversely the value and liquidity of the investments of a Client Account.

Countries and/or governments may institute measures designed to increase the cost of borrowing, impose wage and price controls or otherwise intervene in an attempt to stabilize inflation. However, governmental efforts to curb inflation often have had negative effects on the level of economic activity as shown by the countries where such measures were employed.

- **Interest Rate Risk.** Interest rates can rise and reduce the market value of an investment. Long-term fixed income securities such as bonds, subject their owners to the greatest amount of interest rate risk. Short terms securities, such as Treasury bills tend to be less influenced by interest rate movements.

In the United States and abroad, interest rates had been unusually low in recent years. However, due to concerns regarding high inflation in many sectors of the U.S. and global economies, the U.S. Federal Reserve and many foreign governments and monetary authorities have raised interest rates and implemented other policy initiatives in an effort to control inflation, and they may continue to do so. It is difficult to predict accurately the pace at which central banks or monetary authorities may increase interest rates or the timing, frequency, or magnitude of any such further increases, and the evaluation of macro-economic and other conditions could cause a change in approach in the future. Rising interest rates may present a greater risk than has historically been the case due to the effect of government fiscal and monetary initiatives and potential market reaction to those initiatives. As such, fixed-income and related markets may continue to experience heightened levels of interest rate volatility. A significant or rapid rise in interest rates could result in losses, which could be substantial, in a Client Account.

- **Junior Loans.** Certain Client Accounts utilize secured and unsecured subordinated loans and second lien loans (collectively, "Junior Loans"). Secured second lien loans are generally second in line in terms of repayment priority. A secured second lien loan often has a claim on the same collateral pool as the first lien or is secured by a separate set of assets, such as property, plants, or equipment. Second lien loans generally give investors priority over general unsecured creditors in the event of an asset sale.

Junior Loans are subject to the same general risks inherent to any loan investment, including credit risk, market and liquidity risk, and interest rate risk. Due to their lower place in the borrower's capital structure, Junior Loans involve a higher degree of overall risk than senior loans of the same borrower.

- **Lender Liability Risk.** A number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively referred to as "lender liability." Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Client Accounts that invest in loans, particularly distressed debt, can become subject to allegations of lender liability, which could subject them to significant liability.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender: (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower; (ii) engages in other inequitable conduct to the detriment of such other creditors; (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors; or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court can elect to subordinate the claim of the offending lender to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination." If a Client Account that invests in loans became subject to equitable subordination, it could result in substantial losses for the account.

- **Loan Interests.** Loans generally are subject to restrictions on transfer, and it is possible that NBS will be unable to sell loans at a time when it would otherwise be desirable to do so or will be able to sell them only at prices that are less than their fair market value. NBS could find it difficult to establish a fair value for loans held by the Client Account. Loans normally are not registered with the SEC or any state securities commission or listed on any securities exchange. As a result, the amount of public information available about a specific loan historically has been less extensive than if the loan were registered or exchange traded. Bank loan interests are also often not rated by independent rating agencies. Therefore, investments in a particular loan could depend almost exclusively on the credit analysis of the borrower performed by NBS. Also, there is a risk that the value of the collateral securing a loan (if any) will decline after the Client Account invests or that the collateral (if any) will not be sufficient to cover the amount owed to the Client Account. NBS will invest in unsecured bank loans for certain Client Accounts. Loans are also subject to the risk of a borrower defaulting, which will often limit or delay the account's access to the collateral under bankruptcy or other insolvency laws. If the borrower defaults on a unsecured bank loan, the relevant Client Account will be a general creditor and will not have rights to any specific assets of the borrower. Additionally, if the account acquires a participation interest in a loan, it is possible that it will not be able to control the exercise of any remedies that the lender would have under the loan and likely would not have any rights against the borrower directly. Loans purchased by a

Client Account could represent interests in loans made to finance highly leveraged corporate acquisitions, known as “leveraged buy-out” transactions, leveraged recapitalization loans and other types of acquisition financing. The highly leveraged capital structure of the borrowers in such transactions often makes such loans especially vulnerable to adverse changes in economic or market conditions. In addition, some loan interests are not be considered “securities,” and purchasers, such as a Client Account, therefore would generally not be entitled to rely on the strong anti-fraud protections of the federal securities laws.

- **Lower-Rated Debt Securities.** Fixed income securities receiving below investment grade ratings often have speculative characteristics, and, compared to higher-grade securities, often have a weakened capacity to make principal and interest payments in adverse economic conditions or other circumstances. High-yield, high-risk, and lower-rated securities are subject to additional risk factors, such as increased possibility of default, decreased liquidity and fluctuations in value due to public perception of the issuer of such securities. In addition, both individual high-yield securities and the entire high-yield bond market can experience sharp price swings due to a variety of factors, including changes in economic forecasts, stock market activity, large sustained sales by major investors or a high profile default.
- **Mortgage-Backed Securities.** Mortgage-backed securities represent “pools” of mortgages and other assets, including consumer loans or receivables held in trust. Investment in mortgage-backed securities poses several risks, including market and credit risk. Generally, rising interest rates tend to extend the duration of fixed rate mortgage-backed securities, making them more sensitive to interest rate changes. When interest rates decline, borrowers can often pay off their mortgages sooner than expected. This can reduce the return in a Client Account because the Client Account would have to reinvest those funds at lower prevailing interest rates. Market risk reflects the risk that the price of a security will fluctuate over time. Credit risk reflects the risk that the strategy will not receive all or part of its principal or posted collateral, if any because the issuer or credit enhancer has defaulted on its obligations. The value of mortgage-backed securities could also change due to shifts in the market’s perception of issuers and regulatory or tax changes adversely affecting the mortgage securities market as a whole. In addition to these risks, the 2008 sub-prime mortgage crisis continues to have a negative impact on the value of some mortgage-backed securities and continues to result in limited liquidity in the secondary market for mortgage-related securities.

From time to time, NBS will sell to-be-announced mortgage-backed securities (“TBAs”) it has committed to purchase on behalf of Client Accounts before those securities are delivered to the account on the settlement date. The Client Account could also enter into a TBA agreement and “roll over” such agreement prior to the settlement date by selling the obligation to purchase the pools set forth in the agreement and entering into a new TBA agreement for future delivery of mortgage-backed securities. TBA mortgage-backed securities can increase prepayment risks because the underlying mortgages could be less favorable than anticipated by NBS.

- **Mortgage Loan Modification Risk.** Modification of troubled loans and real estate acquired with loan pools involves substantial risks including declines in the value of residential real estate, general economic conditions that contribute to declining home prices, deterioration of a borrower's ability to keep payments current on a modified loan or to refinance a loan, increases in the cost of property maintenance, taxes and insurance, natural disasters and casualty losses, borrower bankruptcies, moratoriums on foreclosures, zoning changes, incomplete or defective loan documentation, and fluctuations in interest rates. In addition, active federal and state government scrutiny and enforcement actions against mortgage loan holders and new legislation could adversely affect the ability to foreclose on a timely basis and impose conditions, restrictions and additional costs on loan modifications. The success of a loan modification program depends significantly on the ability of third party, unaffiliated servicers to follow modification guidelines, negotiate acceptable workout terms, provide delinquency notices, initiate foreclosure proceedings, monitor re-performing loans and liquidate real estate. Some servicing agreements with third parties provide for incentive compensation as a percentage of cash flows or profits from a modified loan. These arrangements could lead to more aggressive and riskier servicing practices by the servicer that adversely affect the results of a loan modification and potentially lead to legal or regulatory actions.
- **Municipal Securities.** Municipal securities rely on the creditworthiness or revenue production of their issuers. Municipal securities are often difficult to obtain because of limited supply, which can increase the cost of such securities and effectively reduce a strategy's yield. Typically, less information is available about a municipal issuer than is available for other types of securities issuers. Additionally, because interest income on municipal obligations is normally not subject to regular federal income taxation, the attractiveness of municipal obligations in relation to other investment alternatives is affected by changes in federal income tax rates applicable to, or the continuing tax-exempt status of, such interest income. In addition, a Client Account that concentrates its investments in a particular state's municipal bonds could be affected significantly by economic, regulatory or political developments affecting the ability of that state's issuers to pay interest or repay principal. Any provisions of the state's constitution and statutes which limit the taxing and spending authority of the state governmental entities could impair the ability of the state's issuers to pay principal or interest on their obligations. Each state's economy could be sensitive to economic problems affecting particular industries. Future state or local political and economic developments, constitutional amendments, legislative measures, executive orders, administrative regulations, litigation and voter initiatives could have an adverse effect on the debt obligations of the state's issuers.

Certain municipal bonds have restrictions in their offering documents that set the lowest denomination of an issue that can be purchased or sold subject to certain exceptions ("minimum denomination"). It is possible that certain events, such as a partial call, will result in a particular client holding a position that is less than the minimum denomination for that municipal bond. If a client who is holding a position that is less than the minimum denomination sells the position, the fact that the client's position is below the

minimum denomination would likely adversely affect the liquidity of the position unless the client has other securities from the issue that can be combined to reach the minimum denomination.

Municipal bonds can be bought or sold at a market discount (i.e., a price less than the bond's principal amount or, in the case of a bond issued with original issue discount ("OID"), a price less than the amount of the issue price plus accrued OID). If the market discount is more than a de minimis amount, and if the bond has a maturity date of more than one year from the date it was issued, then any market discount that accrues annually, or any gains earned on the disposition of the bond, generally will be subject to federal income taxation as ordinary (taxable) income rather than as capital gains. Some municipal securities, including those in the high yield market, include transfer restrictions similar to restricted securities (e.g., can only be transferred to qualified institutional buyers and purchasers meeting other qualification requirements set by the issuer). Accordingly, it could be difficult to sell municipal securities at a favorable time or at favorable prices.

Risk of Principal Only Investments. Principal only investments are municipal obligations that entitle the holder to receive par value of such investment if held to maturity. The values of principal only investments are subject to greater fluctuation in response to changes in market interest rates than bonds that pay interest currently. Client portfolios that are required to make annual distributions will accrue income on these investments and could be required to sell securities to obtain cash to meet such distribution obligations.

- **Physical Assets.** From time to time, particularly with respect to the distressed debt and residential mortgage loan strategies, a Client Account will be involved in transactions that result in the Client Account owning physical assets (typically collateral for secured loans acquired by the Client Account) directly. In such cases, the Client Account will be subject to all the risks inherent in owning physical assets such as real estate. These risks include, without limitation: general and local economic and social conditions; fluctuations in asset values; over-concentration in the physical asset, declines in the financial resources of the prospective purchasers or lessees for such assets; a drop in demand or an increase in the competition for such assets; storage, insurance and other maintenance costs; destruction, spoilage, impairment, damage, depreciation and obsolescence; changes in tax, environmental and other applicable laws and regulations, increasing the costs or restricting the use of such assets; environmental protection penalties and liabilities (including those attributable to the conduct of prior owners of such assets); increases in interest rates and, accordingly, of the cost of inventory as well as of the availability of financing in order to maintain such assets or to finance purchases of such assets; a shortage of financing (irrespective of interest rates); or increases in operating expenses which could adversely affect the value of such assets to a potential purchaser or lessee. There can be no assurance of the profitable ownership or operation of any physical asset. The cost of operating or maintaining an asset could materially exceed the income or sale proceeds generated by such asset, while such asset itself — as opposed to the loans formerly secured by such asset — could generate little or no cash flow.

- **Prepayment and Extension Risk.** A Client Account's performance could be affected if borrowers pay back principal on certain debt securities, such as mortgage- or asset-backed securities, before or after the market anticipates such payments, shortening or lengthening their duration. Due to a decline in interest rates or an excess in cash flow, a debt security might be called or otherwise converted, prepaid or redeemed before maturity. As a result, a Client Account would likely have to reinvest the proceeds in an investment offering a lower yield, not benefit from any increase in value that might otherwise result from declining interest rates and lose any premium it paid to acquire the security. Higher interest rates generally result in slower payoffs, which effectively increase duration, heighten interest rate risk, and increase the potential for price declines. The prices of variable and floating rate securities (including loans) can be less sensitive to prepayment risk.
- **Rating Agency Risk.** From time to time, NBS will purchase securities for Client Accounts rated by a rating agency. NBS could use these ratings to determine whether to purchase, sell or hold a security. Ratings are not absolute standards of quality. Securities with the same maturity, interest rate and rating often have different market prices. Credit ratings attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value. In addition, rating agencies sometimes fail to make timely changes in credit ratings. An issuer's current financial condition could be better or worse than a rating indicates.
- **Residential Mortgage and Real Estate Related Investment Risks.** Certain Private Funds invest in mortgage loans. This strategy involves risks, including, among others: (a) declines in real estate values, including from changes in demographic trends, such as population shifts or changing tastes and values; (b) risks related to general and local economic conditions; (c) possible lack of availability of mortgage funds for borrowers to refinance or sell their homes; (d) overbuilding; (e) the general deterioration of the borrower's ability to keep a modified or rehabilitated troubled mortgage loan current; (f) increases in competition, property taxes and operating expenses, (g) changes in zoning and other applicable laws; (h) costs resulting from the clean-up of, and liability to third parties for damages resulting from, environmental problems; (i) casualty or condemnation losses; (j) uninsured damages from floods, earthquakes or other natural disaster; (k) limitations on and variations in rents; (l) fluctuations in interest rates; (m) foreclosure moratoriums and other requirements or restrictions on foreclosures that extend the time needed to foreclose; (n) the creation of new, or the extension of existing, homebuyer incentive programs; and (o) new servicing or loss mitigation requirements. To the extent that assets underlying a Client Account's investments are concentrated geographically, by property type or in certain other respects, such Client Account could be subject to certain of the foregoing risks to a greater extent. In addition, this strategy relies on the motivation of banks, thrifts, mortgage companies, residential real estate developers, certain government agencies, and other participants in the residential mortgage market to originate or sell mortgage loans and other real estate assets.
- **Risks of Zero-Coupon and Deep Discount Bonds and PIK Securities.** Zero-coupon and deep discount bonds often experience volatility in market value due to changes in

interest rates. Securities purchased on a when-issued or forward commitment basis are subject to the risk that when delivered they will be worth less than the agreed upon payment price. Bonds and preferred stocks that make “in-kind” payments (“PIK Securities”) and other securities that do not pay regular income distributions could experience greater volatility in response to interest rate changes and issuer developments. Client Accounts that are required to make annual income distributions under the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”) will accrue income on certain of these instruments and could be required to sell securities to obtain cash to meet such requirement. PIK Securities generally carry higher interest rates compared to bonds that make cash payments of interest to reflect the increased risks associated with the deferral of interest payments. PIK Securities involve additional risk because the Client Account receives no cash payments until the maturity date or specified cash payment date. If the issuer of a PIK Security defaults, it is possible that the Client Account will lose its entire investment.

- **Sovereign Debt Risk.** Sovereign debt securities are subject to the risk that a governmental entity will delay or refuse to pay interest or repay principal on its sovereign debt, due, for example, to cash flow problems, insufficient foreign currency reserves, political considerations, the relative size of the governmental entity’s debt position in relation to the economy, its policy toward international lenders or the failure to put in place economic reforms required by multilateral agencies. If a governmental entity defaults, it often asks for more time in which to pay or for further loans. There is no legal process for collecting sovereign debt that a government does not pay nor are there bankruptcy proceedings through which all or part of the sovereign debt that a governmental entity has not repaid can be collected.

Sovereign debt risk is increased for emerging market issuers. Certain emerging market or developing countries are among the largest debtors to commercial banks and foreign governments. At times, certain emerging market countries have declared moratoria on the payment of principal and interest on external debt. Certain emerging market countries have experienced difficulty in servicing their sovereign debt on a timely basis that led to defaults and the restructuring of certain indebtedness.

- **Stripped Mortgage-Backed Securities Risk.** Stripped mortgage-backed securities (“SBMS”) are derivative multi-class mortgage securities issued by agencies and instrumentalities of the U.S. Government or by private originators of, or investors in, mortgage loans. They are typically structured with two classes that receive different proportions of the interest and principal distributions on a pool of mortgage assets. As such, these classes can be very sensitive to changes in interest rates and the rate of prepayments.
- **Stripped Securities Risk.** Stripped securities are the separate income or principal components of debt securities. These securities are particularly sensitive to changes in interest rates, resulting in greater fluctuations in price than other debt securities and traditional government securities with identical credit ratings.

- **Sukuk Risk.** Sukuk are fixed-income investments conforming to Islamic principles, which prohibit charging interest (i.e., money paid simply for the use of the investor's money). Sukuk are generally similar to a combination of asset-backed securities and repurchase agreements. The issuer, often a special purpose vehicle established to issue the sukuk, holds title to an asset or pool of assets. The sukuk represents an interest in that asset, so the income to the investor comes from ownership of the asset, not from interest on the investor's money. The issuer of the sukuk agrees in advance to repurchase the sukuk from the investor on a certain date at a certain price.

As unsecured investments, sukuk are backed only by the credit of the issuing entity, which could be a special purpose vehicle that holds no other assets. They are thus subject to the risk that the issuer is not be able to repurchase the instrument at the agreed upon date for the agreed upon price, if at all. Furthermore, since the purchasers of sukuk are investors in the underlying asset, they are subject to the risk that the asset will not perform as expected, and that the flow of income from the investments will be slower than expected or cease altogether. In the event of default the process could take longer to resolve than conventional bonds. Evolving interpretations of Islamic law by courts or prominent scholars could affect the free transferability of sukuk in ways that cannot now be foreseen. In that event, a Client Account could be required to hold its sukuk for longer than intended, even if their condition is deteriorating.

The unique characteristics of sukuk may lead to uncertainties regarding their tax treatment within a Client Account. It is anticipated that sukuk investments will be treated as investments in debt instruments for U.S. federal income tax purposes, with payment obligations constituting payments of principal and interest as generally applicable with respect to debt instruments. Sukuk investments may also be subject to U.S. federal and other withholding taxes, and there is no assurance that any such taxes will be eligible for relief under an applicable income tax treaty. There can be no assurance that the U.S. Internal Revenue Service or other tax authorities will treat the sukuk investments in accordance with the anticipated tax consequences.

- **Trade Claims.** Certain Client Accounts that invest in distressed debt can, from time to time, acquire trade claims — i.e., amounts due from a company to its suppliers. Trade claims are not “securities” for regulatory purposes, and a Client Account, in investing in trade claims, will not have the protection of the securities laws. Trade claims are typically highly illiquid and generally have a relatively junior position as compared to securities and other debt owed by the issuer. There are often defenses to trade claims — for example, the services or products furnished not meeting specifications — of which NBS is not aware at the time of a Client Account’s acquisition of such claims.
- **U.S. Government/Agency Risk.** U.S. Government/Agency Risk is the risk that the U.S. Government will not provide financial support to U.S. Government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. Not all U.S. Government securities are backed or guaranteed by the U.S. Government. Some U.S. Government securities are supported only by the credit of the issuing agency, which depends entirely on its own resources to repay the debt, and are subject to the risk of

default. For example, U.S. Government securities issued by the Federal National Mortgage Association (“Fannie Mae”), Federal Home Loan Mortgage Corporation (“Freddie Mac”) and Federal Home Loan Banks are chartered or sponsored by Acts of Congress, but their securities are neither issued nor guaranteed by the United States Treasury. Therefore, these securities are not backed by the full faith and credit of the United States. The maximum potential liability of the issuers of some U.S. Government securities can greatly exceed their current resources, including their legal right to support from the U.S. Treasury. It is possible that these issuers will not have the funds to meet their payment obligations in the future. Importantly, the future of the entities is in serious question as the U.S. government continues to consider multiple options, including privatization, consolidation, and abolishment of the entities.

- **Whole Loans Risk.** Certain Private Funds will acquire whole loans — as opposed to commercial mortgaged-backed securities whose payment flows are dependent on payments of the underlying loans. When the Private Fund holds a whole loan, NBS will be responsible for dealing directly with the issuer — which can both consume valuable investment adviser resources that could be more profitably employed in other investments as well as subject the Private Fund to all the uncertainties, expenses and adversary proceedings that surround foreclosures in general.

Item 9: Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a Client's or potential Client's evaluation of the Firm or the integrity of the Firm's management in this item. NBS has no items to disclose.

Item 10: Other Financial Industry Activities and Affiliations

A. Registration as a Broker-Dealer or Registered Representative

NBS is not a registered broker or dealer. Most NBS's management persons are not nor have an application pending to register as a registered representative of a broker-dealer, except for one who is a registered representative with FINRA through the affiliation with NBS's registered broker-dealer affiliate, NBBD.

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

NBS is exempt from registration as a futures commission merchant, commodity pool operator (CPO) or commodity trading advisor (CTA). With respect to the current operation of its Client Accounts, NBS is exempt from registration as a CTA pursuant to the exemption in CFTC Rule 4.14(a)(8) and Section 4m(1) of the Commodity Exchange Act.

C. Material Relationships

NBS currently has certain relationships or arrangements that are material to its advisory business or its Clients. Below is a discussion of such relationships/arrangements, the related conflicts of interest, and issues that present the appearance of a conflict of interest.

1. Broker-dealer, municipal securities dealer, or government securities dealer or broker

NBS is affiliated with NBBD, a U.S. registered broker-dealer.

In providing services to its Clients, NBS draws upon the trading, research, operational and administrative resources of its affiliated entities. From time to time, NBS uses security analyses and research reports prepared by its affiliated entities.

Registered representatives of NBBD can solicit Clients for NBS or investors for the Funds for NBS. See Item 14.

In addition, NBS management persons can also be registered representatives of NBBD. In such capacity, they sell or provide similar services that are also offered by NBS. The existence of these relationships create a conflict of interest. See Item 6 and Item 11.B.7.

NBS can utilize placement agents in offering the Funds to investors. These placement agents include NBBD or unaffiliated registered broker-dealers. See Item 5.E and Item 14.B.

The Firm has established Procedures reasonably designed to prevent the misuse by the Firm and its personnel of material information regarding issuers of securities that has not been publicly disseminated ("**material non-public information**"). See Item 11.D.1.

2. Investment Company or other pooled investment vehicle

NBS is sub-investment manager of the Funds.

Neither NBS nor its related persons are obligated to allocate any specific amount of time or investment opportunities to a particular Fund. NBS and its related persons intend to devote as much time as they deem necessary for the management of each Fund, and will allocate investment opportunities in accordance with the NB Asia Trade Aggregation and Allocation Policy, as described in Item 12.B. below.

3. Other investment adviser or financial planner

NBS has relationships that are material to its advisory business with the following affiliates:

SEC-Registered Advisers

Neuberger Berman Asia Limited. (“NBAL”)

Neuberger Berman Europe Limited (“NBEL”)

Neuberger Berman Investment Advisers LLC (“NBIA”)

Neuberger Berman Asset Management Ireland Limited (Exempt Reporting Adviser) (“NBAMIL”)

Neuberger Berman BD LLC* (“NBDD”)

* While NBBD is also registered with the SEC as an investment adviser, it does not currently act as an investment adviser.

Non-SEC-Registered Advisers

Neuberger Berman Australia Ltd

Neuberger Berman Investment Management (Shanghai) Limited

In providing services to its Client Accounts, NBS draws upon the portfolio management, trading, research, operational and administrative resources of the affiliates.

Certain affiliates engage NBS as subadvisor or treat NBS as a “participating affiliate,” in accordance with applicable SEC No-Action Letters. As a subadvisor, investment professionals from NBS could be delegated decision-making roles for some or all aspects of the strategy, including the opening of brokerage accounts and the placement of orders to deploy the strategy.

As a participating affiliate, NBS provides designated investment personnel to associate with the affiliates and perform specific advisory services to the affiliates consistent with the powers, authority and mandates of such affiliate’s Clients. The designated investment personnel from NBS are subject to certain Procedures of the affiliate as well as supervision and periodic

monitoring by the relevant affiliate. As a participating affiliate, NBS agrees, in addition to making available certain of its employees to provide investment advisory services to its affiliate's Clients through the affiliate, to keep certain books and records in accordance with the Investment Advisers Act and to submit the designated personnel to request for information or testimony before the SEC. NBS could also be delegated the duty to place orders for certain securities and commodity interest transactions pursuant to an agreement between the affiliate and NBS as participating affiliate.

Neither NBS nor its related persons are obligated to allocate any specific amount of time or investment opportunities to a particular Client Account. NBS and its related persons intend to devote as much time as they deem necessary for the conduct of each Client Account's management and will allocate investment opportunities in accordance with NB Asia Trade Aggregation and Allocation Policy.

Depending on the strategy, investment professionals from the affiliates would have decision-making roles for certain Clients of NBS.

NBS could engage any of these affiliates as a sub-adviser to manage its Client Accounts (see Item 10.D).

It is possible for the views and opinions of NBS, and those of the affiliates and their research departments, to differ from one another. See Item 11.B.7.

The Firm has established Procedures reasonably designed to prevent the misuse by the Firm and its personnel of material non-public information. See Item 11.D.1.

Certain employees of the affiliates provide marketing and/or other Client-related services in connection with NBS's investment strategies.

4. Futures commission merchant, commodity pool operator, or commodity trading adviser

NBBD is registered as a CTA and as an introducing broker with the CFTC. NBIA is registered as a CTA and CPO with the CFTC.

5. Banking or thrift institution

None.

6. Accountant or accounting firm

None.

7. Lawyer or law firm

None.

8. Insurance company or agency

None.

9. Pension consultant

None.

10. Real estate broker or dealer

None.

11. Sponsor or syndicator of limited partnerships

Affiliates of NBS could serve as the general partner or investment manager to one or more of the Funds. Further information about the partnerships where affiliates of NBS serve as the general partners or investment manager is available in Section 7.B.(1) and (2) of Schedule D of Part 1A of NBS's affiliated SEC-registered investment advisers' Form ADVs.

D. Selection of Other Investment Advisers
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NBS could engage other advisers, including its affiliates, to act as sub-advisers or managers for its Client Accounts. As discussed further below, NBS does not employ the same selection criteria with respect to its affiliates, given that it already knows a great deal about each of their advisory businesses, by virtue of their affiliation. Where NBS has delegated the discretionary day-to-day management of certain strategies to its affiliates, the due diligence conducted does not include all components of the standard due diligence program. NBS selects affiliates based on the investment strategy of the Client Account, and the expertise of the particular affiliate.

NBS's decision to use a third party sub-adviser depends upon various factors which include, but not be limited to, the sub-adviser's performance record, management style, number and continuity of investment professionals, and client servicing capabilities.

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

A. Code of Ethics

NBS has adopted Procedures, which govern the activities of all NBS employees. Employees are required not only to comply with the Procedures but with all applicable laws and regulations.

The Procedures include (1) personal investment, (2) gifts and entertainment, (3) outside business activity (4) prohibition regarding the use of material non-public information and (5) whistleblowing, which support NBS's fiduciary duty to place the interests of the Firm's Clients before the interests of the Firm and its employees. Each employee must avoid any activity or relationship that reflects unfavorably on the Firm as a result of a possible conflict of interest, the appearance of such a conflict, the improper use of confidential information or the appearance of any impropriety.

In managing assets for Clients, NBS has a fiduciary responsibility to treat all Clients fairly. This duty requires a course of conduct, consistent with other statutory obligations, that seeks to be prudent and in the Client's best interest. The nature of NBS's fiduciary obligations necessarily requires some restrictions on the investment activities of its employees and their domestic dependents.

Clients and prospective clients can obtain a copy of the Code of Ethics by contacting a Client Service Representative.

Amendments to the Procedures

If amendments are made to the Procedures other than on an annual basis and determined to be material, a summary of the changes will be communicated to employees.

Administration of the Procedures

Compliance department ("Compliance") will receive and review all reports submitted pursuant to the Procedures and determine whether the investment or business activities of employees are consistent with requirements and restrictions set forth in the Procedures and do not otherwise indicate any improper activities. Compliance will also ensure that all books and records relating to the Procedures are properly maintained. NBS will maintain the following records in a readily accessible place:

- A copy of each Code that has been in effect at any time during the past five years;
- A record of all written acknowledgements of receipt, review and understanding of the Procedures and amendments for each person who is currently, or within the past five years was, an employee;

- A record of each report made by an employee, including any brokerage confirmations and brokerage account statements obtained from employees;
- A list of the names of persons who are currently, or within the past five years were, employees; and
- A record of any decision for approving the acquisition of securities by employees in private placements and hedge funds for at least five years after the end of the fiscal year in which approval was granted.

Reporting Violations

Employees must immediately report any violation of the Procedures to Compliance. All reports will be treated confidentially and investigated promptly and appropriately. Compliance will keep records of any violation of the Procedures, and of any action taken as a result of the violation. Violations of the Procedures could lead to disgorgement of profits, suspension of trading privileges for the particular employee, or disciplinary action up to and including termination.

B. Participation or Interest in Client Transactions

NBS could participate or have an interest in Client transactions as described below. NBS makes all investment management decisions in its Clients' best interests.

1. Principal and Agency Transactions

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliate, buys from, or sells any security to, an advisory Client. For example, a principal transaction would occur if NBS bought securities for its own inventory from an NBS advisory Client or sold securities from its inventory to an NBS advisory Client.

If NBS, its affiliates or their respective principals own a substantial equity interest in an account managed by NBS, a transaction involving that account and another Client could be characterized as a principal transaction. For example, if NBS, its affiliates or their respective principals have a substantial equity interest in an affiliated fund, the transfer of securities from such affiliated fund's account to an NBS managed Separate Account could be deemed a principal transaction. From time to time, NBS or one or more of its affiliates invest seed capital in an Affiliated Fund managed by NBS and, from time to time, own or control a significant percentage of the Affiliated Fund's interests. NBS or its affiliate, from time to time, redeem all or a portion of its interest in the Affiliated Fund in accordance with its Seed Capital Policy, including where it is required to redeem or withdraw all or a portion of its interest in order to comply with applicable regulatory restrictions. Redemptions or withdrawals therefrom could force the Affiliated Fund to sell securities at an unfavorable time and/or under unfavorable conditions, or sell more liquid assets of the Affiliated Fund, in order to meet redemption or withdrawal requests. These sales could adversely affect an Affiliated Fund's net asset value and result in increasing its liquidity

risk, transaction costs and/or taxable distributions. Transactions involving NBS and its affiliates will be effected in accordance with applicable regulatory restrictions

A principal transaction presents conflicts of interest which includes the adviser or affiliate earning a fee or earning (or losing) money as a result of the transaction.

NBS does not engage in principal transactions with Client Accounts.

2. Cross Transactions

NBS does not intend to engage in buying or selling of securities from one Client Account to another (typically referred to as a “cross trade” or “cross transaction”).

3. Affiliated Brokers

NBS is affiliated with NBBD, but does not effect any transactions in securities or other instruments for Client Accounts through NBBD. See Item 12.

4. Financial Interests in Securities or Investment Products

NBS could invest Client Accounts in securities or other assets of companies with which NBS or its affiliates have a business relationship, whether Client, broker, vendor or investment consultant.

NBS's Procedures, together with its investment process, seek to ensure that all accounts are managed in accordance with their investment objectives and guidelines and in accordance with NBS's fiduciary obligations.

5. Employee Investment in NBS Products

It is possible that NBS advisory personnel are investors in the Funds. Any such investments are made in conformity with the Procedures, which include the use of confidential information and personal investing.

6. Buying and Selling Securities That Are Recommended to Clients

NBS could recommend to Clients, investments in which NBS, its affiliates or advisory personnel of either are also invested. Certain personnel of NBS invest directly in the Funds, subject to applicable law, and the performance fee distributions and management fee payable by such Funds could be separately negotiated by NBS. Certain Funds elect to waive management or performance fees/allocation for employees of the Firm who invest in the Fund pursuant to the Firm's employee investment program.

NBS could recommend to Clients, securities or financial instruments, in which a related person has established an interest independent of NBS.

All such investments are made in conformity with aggregation and allocation Procedures (See Item 12.B) and Procedures that address conflicts of interest.

7. Other Interests in Client Transactions

Certain NBS advisory personnel are officers, employees and/or registered representatives of certain affiliates. In such capacity, they could sell or provide similar services as the services offered by NBS. It is possible that the views and opinions of NBS or any of the affiliates and their research staff, differ from one another. As a result, Client Accounts could hold securities or other investment products for which each of these entities has a different investment opinion or outlook at the time of their acquisition or subsequent thereto.

C. Personal Trading

The key aspects of NBS's personal investment Procedures include:

Disclosure of Personal Investment Accounts and Pre-Approval of Transactions

Employees and their Immediate Family², or other parties named in an employee-related account must obtain prior approval from Compliance before opening an outside brokerage account and subsequently, before placing an order for a covered transaction. Transaction approvals are valid for 24 hours.

Holding Periods

Employee and employee-related accounts must hold investments for a minimum of sixty (60) calendar days after purchase.

Specific Investment Restrictions

- Short sales are permitted in certain circumstances, but are strongly discouraged.
- Employees and employee related accounts are prohibited from receiving allocations of initial public offerings.
- Any employee who wishes to invest in a hedge fund, limited partnership, closely held corporation or other outside private investment must obtain pre-approval from Compliance.

² Any of the following relatives **sharing the same household and/or (who) are financially dependent on an Access Person**: child, stepchild, grandchild, parent, stepparent, grandparent, spouse, domestic partner, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, including adoptive relationships and/or any other person deemed to be an Immediate Family member by Compliance.

Reporting and Certification Requirements

Initial

On commencing employment at NBS, employees are required to disclose their outside broker accounts.

Approval to open new outside brokerage accounts

When an existing employee wishes to open a new outside brokerage account, it is compulsory for the employee to obtain pre-approval from Compliance. Employee will be requested to provide copies of monthly statements and confirmations to Compliance.

Annual

Employees are required to declare annually that: they have read, understand, and complied with the Procedures; they have reported all employee and employee-related accounts to Compliance; the transactions executed in these accounts have been approved as necessary; and, they have obtained the required approval and submitted the required reporting for any outside business activities.

D. Other Conflicts of Interests

1. Material Non-Public Information/Insider Trading

The Firm has established Procedures, including certain information barriers within the Firm, reasonably designed to prevent the misuse by the Firm and its personnel of material non-public information. The Procedures are designed to be in accordance with the requirements of the Advisers Act and other federal securities laws. In general, under the Procedures and applicable law, when the Firm is in possession of material non-public information related to a publicly-traded security or the issuer of such security, whether acquired unintentionally or otherwise, neither the Firm nor its personnel are permitted to render investment advice as to, or otherwise trade or recommend a trade in, the securities of such issuer until such time as the information that the Firm has is no longer deemed to be material or non-public.

In the ordinary course of operations, however, certain businesses within the Firm will seek access to material non-public information. The Procedures address the process by which material non-public information can be acquired intentionally by the Firm and the sharing of information between different businesses within the Firm or with certain clients of the Firm. When considering whether to acquire or share material non-public information, the Firm will attempt to balance the interests of all Clients, taking into consideration relevant factors, including, but not limited to, the extent of the prohibition on trading that could occur, the size of the Firm's existing position in the issuer, if any, and the value of the information as it relates to the investment decision-making process. The intentional acquisition of material non-public information gives rise to a potential conflict of interest since NBS would generally be prohibited from rendering investment advice to Clients regarding the public securities of such issuer and

thereby potentially limiting the universe of public securities for NBS's purchase or potentially limiting the ability of NBS to sell such securities. Relatedly, in those cases when the Firm declines access to (or otherwise does not receive or share within the firm) material non-public information regarding an issuer, NBS will base its investment decisions with respect to assets of that issuer solely on public information, thereby limiting the amount of information available to NBS in connection with such investment decisions. Additionally, when the Firm declines to receive or share material non-public information, Clients could miss the opportunity to make certain investments, such as SPAC PIPEs, that require potential investors to be "brought over the wall" and accept material non-public information prior to making the investment. In determining whether or not to elect to receive material non-public information, the Firm will endeavor to act fairly to its Clients as a whole. The Firm reserves the right to decline access to material non-public information, including declining to join a creditors or similar committee even if that committee relates to a position held in Client Accounts.

If material non-public information is inadvertently obtained, employees are required to disclose it to Compliance whereupon the issuer to which the material non-public information relates will be included in a "Restricted List" distributed by Compliance. Any activities relating to such securities are required to be cleared by Compliance.

2. Gifts and Entertainment

Gifts and entertainment provided or received by NBS's employees to/from Clients, prospective clients, vendors, suppliers, consultants and others with whom NBS conducts business can strengthen business relationships yet could also create actual or apparent conflicts of interest. Therefore, in accordance with its gifts and entertainment Procedures, all NBS employees are required to follow the following guiding principles:

- No gifts or entertainment should be solicited
- No cash or cash equivalents should be offered or accepted
- All gifts and entertainment received or offered should be for a clear business purpose
- All gifts and entertainment should not be excessive, inappropriate or intended to influence recipients inappropriately

In addition to the above, NBS imposes restrictions on providing and receiving gifts and entertainment, including the imposition of monetary limits and requiring employees to report to, and, in certain circumstances, to obtain prior approval from Compliance.

Compliance is responsible for carrying out ongoing monitoring of NBS's practices on giving and receiving of gifts and entertainment.

3. Political Contributions

Due to the potential for conflicts of interest, the Firm has established Procedures relating to political contributions that are designed to comply with applicable federal, state and local law.

All employees who are either US citizens or green card holders, their spouses or domestic partner, dependent children or others that the employee materially supports are required to seek preapproval before making any political contribution or engages in other political activities, including volunteering or fundraising for a campaign.

The Procedures extends as applicable to all Canadian citizens and permanent residents.

4. Outside Business Activities

Given the nature of NBS's business, employees who engage in certain types of outside activities pose a conflicts of interest or regulatory concern to the Firm. Each new employee is required to disclose to Compliance any outside activities, including service as an employee, consultant, board member, partner, officer, director, owner or trustee of an organization that is not an affiliate of NBS. Prior to pursuing any outside business activity, an employee must:

- receives written approval from his/her manager; and
- receives written approval from Compliance.

General Guidelines

When engaged in an approved outside business activity, an employee must always:

- act in the best interest of NBS in the event a potential conflict of interest arises;
- remain aware of how personal activities can lead to conflicts, such as taking a second job with, or making an investment in, a customer, vendor or competitor;
- discuss with his/her manager any situation that could be perceived as a potential conflict of interest; and
- pro-actively address situations that could put his/her interests or those of a family member or friend in potential conflict with NBS's.

Service on Outside Boards

Compliance determines the Procedures to prevent the misuse of material non-public information, which can be acquired through outside board service

In addition to complying with the Procedure, employees must be vigilant in identifying and managing the potential conflicts of interest that could arise by virtue of their service on outside boards. Depending on the circumstances, these conflicts could require the employee to recuse him or herself from deliberations of the board. In some cases, it is necessary to resign from the board entirely. Employees are encouraged to seek guidance from Compliance as to how these potential conflicts are best addressed.

5. Outsourcing/Service Providers

The Firm conducts appropriate due diligence on any outside vendor that provides products or services to the Firm and enters into an appropriate contract. The Firm's relationships with outside vendors must be managed so that appropriate controls and oversight are in place to protect the Firm's interests, including safeguarding of private and confidential information regarding the Firm's Clients and employees.

6. Potential Conflicts of Interest Relating to Employee Compensation Arrangements

Employees of NBS could receive a portion of the fees or other compensation received by NBS or the Firm. Compensation methodology varies and is based upon a variety of factors, including but not limited to, gross or net revenue, asset or sub-asset class, and the specific investment product or investment vehicle. Given that compensation varies, an employee has the incentive to promote, recommend or allocate assets based on the compensation to be received. To mitigate those potential conflicts, NBS has Procedures in place which are reinforced during the Firm's annual training.

Item 12: Brokerage Practices

A. Criteria for Selection of Broker-Dealers

Except where NBS has delegated investment discretion to a sub-adviser, NBS has discretion to select the broker-dealer for securities transactions for each Client Account. NBS looks to the overall quality of service provided by the broker-dealer and will consider many factors when making a selection for execution. The broker-dealer's ability to provide best execution is of paramount importance in NBS's selection of the broker-dealer. Best execution is not determined solely based on obtaining the lowest commission costs, but is an evaluation of a number of quantitative and qualitative factors.

The factors that NBS will take into account when executing orders on behalf of a Client Account will include price, costs, speed, likelihood of execution and settlement, size, nature and any other consideration relevant to the execution of the order in question (including market impact). The best possible result for a particular transaction will be determined by the relative importance given by NBS to those factors, which will in turn determine the choice of broker-dealer. NBS will also take into account the following criteria:

- Client's characteristics, including Client's categorisation as a professional client;
- the characteristics of the relevant order;
- the characteristics of the instruments or products that are the subject of the relevant order; and
- the characteristics of the broker and the place of execution.

Research and Other Soft Dollar Benefits

NBS does not operate a soft dollar program. Its affiliates could acquire soft dollar benefits when sub-advising NBS's Client Accounts. Please refer to the Client Brochure of the respective SEC registered affiliates for details.

Brokerage for Client Referrals

NBS does not enter into agreements with, or make commitments to, any broker-dealer that would bind NBS to compensate that broker-dealer, directly or indirectly, for Client referrals (or sale of fund interests) through the placement of brokerage transactions.

Directed Brokerage

Certain Clients of NBS elect to use a specific broker-dealer for securities transactions in their account. To the extent NBS is required to direct some or all of the trades for such account to a specific broker-dealer, NBS does not have any role in, and does not have any responsibility for, Client's selection of this broker-dealer. NBS does not have any control over the broker-dealer's

services, including commissions charged by such broker-dealer, and the nature and quality of executions provided by such broker-dealer. As such, NBS cannot ensure in any given transaction for an account where the Client has directed the use of a specific broker that it will be able to obtain the best price. For example, NBS could elect to purchase a security on behalf of certain of its Separate Accounts at a broker-dealer that NBS believes can execute the trade faster than the broker-dealer selected by client for its account. The purchase of the security for the undirected Separate Accounts could raise the price of the security before the broker-dealer for the directed account could execute its purchase of the security. This price impact could result in the directed brokerage account paying more than it otherwise would have had the account's order been aggregated with the Separate Account's order. In addition, a Client's selection of another broker-dealer could result in the Client not receiving certain benefits afforded NBS's Clients for whom NBS does select brokerage. Those benefits include potential efficiencies in execution, clearance and settlement resulting from, among other things, the bunching of orders for various Clients (see Item 12.B).

To the extent a Client elects to use a specific broker-dealer for securities transactions in its account, but NBS retains discretion in selecting the broker-dealer, NBS will endeavor to use the selected broker-dealer but generally has no obligation to use the broker-dealer if, in NBS's judgment, the use of the broker-dealer would not be consistent with NBS's fiduciary obligations to obtain best execution or where NBS is not confident of the selected broker-dealer's execution capability for a particular transaction. NBS does not accept any responsibility for not using the broker-dealer selected by a Client on any such transactions in which NBS does not allocate the brokerage to that broker-dealer.

Other Fees in Connection with Trading

In an effort to achieve best execution of portfolio transactions, NBS often place securities or future transactions for Client Accounts by utilizing alternative trading Systems. Some alternative trading systems impose additional service fees or commissions. Those fees will be (i) paid by NBS directly to the provider of the service, (ii) included in the execution price of a security, or (iii) where applicable, billed directly to the Client Account associated with the trading activity. NBS's intention is that it will only use alternative trading systems and incur their fees if it believes that doing so helps it to achieve the best execution of the applicable transaction, taking into account all relevant factors under the circumstances. For example, NBS will consider the speed of the transaction, the price of the security, its ability to effect a block transaction and other factors discussed in this Brokerage Practices section.

Trade Errors

On occasion, an error could be made in a Client Account. For example, a security was erroneously purchased for a Client Account instead of sold. In these situations, NBS generally seeks to rectify the error by placing the Client Account in a similar position as it would have been had no error occurred. Depending on the circumstances, various corrective steps are taken, including but not limited to, canceling the trade, adjusting an allocation, and/or reimbursing the account. While NBS will generally compensate Client Accounts for actual losses suffered as a result of a trade error caused through the fault of NBS, NBS does not compensate its Clients for

lost investment opportunities (e.g., the failure to take advantage of investment or market improvements).

B. Aggregation of Orders/Allocation of Trades

Aggregation

Transactions for each Client Account generally will be effected on a block trade basis, where NBS decides to purchase or sell the same security or financial instrument for several Client Accounts at approximately the same time. NBS could (but is not obligated to) combine or block trade such orders in order to secure certain efficiencies and results with respect to execution, clearance and settlement of orders.

This aggregation of orders across Client Accounts could lead to a conflict of interest in the event an order cannot be entirely fulfilled and NBS is required to determine which accounts should receive executed shares and in what order. To mitigate such conflicts, NBS has adopted allocation procedures, reasonably designed to treat all participating accounts fairly (see below).

NBS is not obligated to include every Client Account in an aggregated trade. A variety of factors is used to determine whether a particular Client Account would participate in a particular aggregated transaction. These include investment objectives and strategies, position weightings, cash availability, and risk tolerance.

NBS will aggregate and allocate orders only in a manner designed to ensure that no Client Account is favored or disfavored and that participating Client Accounts are treated in a fair and equitable manner over time. NBS does not intentionally allocate profitable trades at each day's end so as to favor disproportionately certain Clients without appropriate disclosure.

When a block trade order is filled in its entirety, each participating Client Account will participate at the average price paid or received, per share or unit, on that day for the order, and share in any associated transaction costs, based upon the initial amount requested for the account (subject to certain size- or cost-related exceptions). When price averaging is used, some Client Accounts will get a better price and some Client Accounts will get a worse price than they would have received if price averaging was not used.

When a block trade order is partially filled, the order will be allocated in accordance with the Procedures, which are described generally below.

NBS will receive no additional compensation or remuneration of any kind as a result of the aggregation of Client trades.

Allocation of Investment Opportunities

NBS provides investment management services to a number of Client Accounts and could deal with conflicts of interest when allocating investment opportunities among its Client Accounts. For example: (i) NBS receives different investment management fees in respect of different Client Accounts; (ii) the performance records of some Client Accounts are more public than the performance records of other Clients; and (iii) NBS and its affiliates, owners, officers and employees have invested substantial amounts of their own capital in some Client Accounts, but do not invest their own capital in every Client Account. The majority of NBS's Clients pursue specific investment strategies, many of which are similar. NBS expects that, over long periods of time, most Client Accounts employing similar investment strategies should experience similar, but not identical, investment performance. Many factors affect investment performance, including but not limited to: (i) the timing of cash deposits and withdrawals to and from an account; (ii) the fact that NBS could not purchase or sell a given security on behalf of all Client Accounts employing similar strategies; (iii) price and timing differences when buying or selling securities; (iv) the size of the Client Account and (v) each Client Account's own different investment restrictions. The NB Asia Trade Aggregation and Allocation Policy is designed to minimize possible conflicts of interest in trading for Client Accounts.

NBS considers many factors when allocating securities and financial instruments among Client Accounts, including but not limited to the Client's investment objectives, applicable restrictions, the type of investment or financial instrument, the number of shares or contracts purchased or sold, the size of the account, the amount of available cash or the size of an existing position or weighting in an account. Client Accounts are not assured of participating equally or at all in particular investment allocations. The nature of a Client Account's investment style could exclude it from participating in many investment opportunities, even if the Client is not strictly precluded from participation based on written investment restrictions.

NBS attempts to allocate limited investment opportunities, including new issues among Clients in a manner that is fair and equitable when viewed over a considerable period of time and involving many allocations. NBS maintains procedures to allocate securities in fixed income new issues and secondary offerings. The factors taken into account in allocating of new issues include whether the account's investment objectives fall primarily within the market capitalization of the issuer of securities to be allocated, cash available and legal restrictions on the account. Once those requirements are met, the securities are generally allocated on a pro rata basis based on the assets under management of each account.

Compliance is responsible for monitoring and interpreting these Procedures.

Item 13: Review of Accounts

A. Periodic Reviews

NBS's portfolio managers, research analysts and traders hold weekly meetings where they review market conditions in a broader context. Portfolio managers review market and Client positioning on a daily ongoing basis.

Compliance reviews transactions for compliance with investment guidelines, possible conflicts and adherence to the Procedures and regulatory obligations, on a regular basis. Reviews could be in the form of trade data and exception reports. Topics covered in the review include, but are not limited to, trading on the basis of material, non-public information and trading in affiliated securities.

B. Non-Periodic Reviews

Other than the periodic review of accounts described above, a review of individual Client Accounts will also be triggered by anomalies in the investment strategy (e.g., performance numbers do not look right for the portfolio). Account reviews could also take place as a result of major changes in macro- or micro-economic conditions, and material market, economic or political events. Further, changes in regulation could cause NBS to review Client Accounts.

C. Client Reports

The frequency and content of client reports are provided for in the Fund's Offering Document (or, on rare occasion, as otherwise negotiated with NBS), or relevant investment management agreement.

Depending on the account, Clients could also receive some of the following regular written reports:

- Monthly commentary;
- Monthly/ Quarterly statement from the fund administrator;
- Monthly Fact Sheet; and
- Annual letter.

Clients should carefully review any statements or other reports that they receive from a custodian and compare them to the Client reports provided by NBS.

Item 14: Client Referrals and Other Compensation

A. Compensation by Non-Clients

Not applicable.

B. Compensation for Client Referrals

Subject to applicable law, certain Firm employees are eligible to earn an account referral bonus for referring a potential client to NBS. Firm's senior management determines whether an employee's involvement was significant enough to warrant this bonus.

From time to time, in accordance with applicable law, NBS retains and compensates third parties for introducing new Clients to NBS. The compensation to such parties generally represents a percentage of the management fee paid by the Client to NBS.

Certain Clients pay a higher fee than they would otherwise pay due to the solicitor's or placement agent's involvement in the introduction.

From time to time, NBS could refer a Client to unaffiliated financial institutions or other professional service providers for purposes of rendering certain services to the Client. These services are generally not directly provided by NBS. The referral could result in the Client allocating additional assets to NBS for management.

Consultants

NBS actively seeks to educate consultants, broker-dealers, and other financial intermediaries (jointly referred to in this section as "**Consultants**") about its investment management services. NBS sponsors educational events where its representatives meet with Consultants and/or their Clients. NBS could pay some of the costs associated with educational events, which provide NBS's representatives with an opportunity to meet with Consultants and/or Clients. These fees are paid by NBS from its own resources, which include the management fees received from the Clients. Clients should confer with their Consultants regarding the details of the payments their Consultants receive from NBS.

Item 15: Custody

Separate Accounts

Generally, neither NBS nor its affiliates will maintain possession or custody of any assets constituting a Separate Account. Such assets are generally deposited with a qualified custodian selected and appointed by the Client. Under the investment management agreement, NBS is generally entitled to management fees to be paid out of the account by the qualified custodian. When it does so, NBS will send the Client and custodian an invoice stating the fee and the calculation it was based on. The fees charged will be included in the statement sent to the Client by the respective custodian. The Client must instruct the custodian to pay NBS. In addition, as described in Item 13.C above, the qualified custodian will provide Clients with account statements. Separate Account Clients should carefully review the account statements received from NBS against reports received from the qualified custodian.

Funds

NBS or its affiliates will not maintain possession of the funds or securities of any Fund. However, for those Funds where an affiliate serves as managing member or general partner, the affiliate will have “legal custody” to access the Fund’s account, and as a result, will be deemed to have custody over that account for purposes of the Custody Rule under the Advisers Act. To comply with the Custody Rule, with respect to such Fund, NBS or the third-party administrator to the Fund will provide each investor, annually, with audited financial statements, prepared in accordance with GAAP or IFRS, within 120 days following the end of the Fund’s fiscal year.

Item 16: Investment Discretion

Except to the extent that NBS has delegated investment discretion to a sub-adviser, NBS has the authority to determine, without obtaining specific Client consent, the securities or financial instruments to be bought or sold and the amount of securities or financial instruments to be bought or sold for a Client Account. NBS's discretionary authority is derived from an express grant of authority under each Client Account's investment management agreement with NBS.

Purchases and sales must be suitable for the particular Client Account and limitations could be imposed as a result of instructions from the Client. Clients could limit NBS's authority by prohibiting or by limiting the purchasing of certain securities or financial instruments. See Item 4.C

Pursuant to the Firm's Procedures on material non-public information, when the Firm is in possession of material non-public information related to a publicly-traded security or the issuer of such security, whether acquired unintentionally or otherwise, neither the Firm nor its personnel are permitted to render investment advice as to, or otherwise trade or recommend a trade in, the securities of such issuer until such time the information is no longer deemed to be material non-public information. As such, there are circumstances which will prevent the purchase or sale of securities for Client Accounts for a period of time. See Item 11.D.1

Item 17: Voting Client Securities

NBS generally invests, on behalf of its Clients, in debt instruments that do not have voting rights, and as such, NBS currently has not adopted a policy with respect to voting Clients' securities.

Item 18: Financial Information

A. Prepayment of Fees (Six or more months in advance)

Not applicable.

B. Impairment of Contractual Commitments

NBS has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients.

C. Bankruptcy Petitions

NBS has not been the subject of a bankruptcy proceeding.