



**BNP PARIBAS**  
**ASSET MANAGEMENT**

**BNP PARIBAS ASSET MANAGEMENT USA, Inc.**  
**Form ADV Part 2A**  
**The Brochure**

787 Seventh Avenue, 5<sup>th</sup> Floor Annex  
New York, NY 10019

[HTTPS://WWW.BNPPARIBAS-AM.US](https://www.bnpparibas-am.us)

August 11, 2023

This brochure provides information about the qualifications and business practices of BNP PARIBAS ASSET MANAGEMENT USA, Inc. (“BNPP AM USA” or the “Firm”). If you have any questions about the contents of this brochure, please contact us at +1 212 681 3181. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

## **Summary of Material Changes**

The Form ADV Part 2, also known as the “Brochure”, requires disclosure on distinct topics, and answers must be presented in the order of the items in the form, using the headings in the form. Our goal is to provide you with easy-to-understand "plain-English disclosure," using an easy-to-read format and definite, concrete, everyday words.

Our current Form ADV Part 2 will be available to our existing and prospective clients 24 hours a day through the SEC’s Investment Adviser Public Disclosure website. Additionally, we will annually and within 120 days of the end of our fiscal year, provide you either: (i) a copy of our Form ADV Part 2 that includes or is accompanied by a summary of material changes; or (ii) a summary of material changes that includes an offer to provide a copy of the current Form ADV Part 2.

Since the last annual update in March 2023, the following changes have been made to this Brochure:

- Addition of August 2023 Disciplinary Information for the Firm’s ultimate owner and also for one of its U.S. affiliates.

## **Table of Contents**

<b>Advisory Business</b>	<b>4</b>
<b>Fees and Compensation</b>	<b>6</b>
<b>Performance Based Fees and Side-by-Side Management</b>	<b>8</b>
<b>Types of Clients</b>	<b>9</b>
<b>Methods of Analysis, Investment Strategies and Risk of Loss</b>	<b>10</b>
<b>Disciplinary Information</b>	<b>19</b>
<b>Other Financial Industry Activities and Affiliations</b>	<b>22</b>
<b>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading</b>	<b>26</b>
<b>Brokerage Practices</b>	<b>27</b>
<b>Review of Accounts</b>	<b>34</b>
<b>Client Referrals and Other Compensation</b>	<b>35</b>
<b>Custody</b>	<b>35</b>
<b>Investment Discretion</b>	<b>36</b>
<b>Voting Client Securities</b>	<b>36</b>
<b>Financial Information</b>	<b>38</b>

## **Advisory Business**

BNP PARIBAS ASSET MANAGEMENT USA, Inc. was founded in the U.S. in 1972 as Fischer Francis Trees & Watts, Inc. (“FFTW”). On July 31, 2015, FFTW’s affiliated U.S. registered investment adviser, BNP Paribas Asset Management, Inc., was merged into FFTW. On June 1, 2017, FFTW was re-branded as BNP PARIBAS ASSET MANAGEMENT USA, Inc. BNPP AM USA is a New York corporation registered with the U.S. Securities and Exchange Commission (“SEC”) as an investment adviser. This brochure outlines the products and services offered by BNPP AM USA, which has two offices: New York and Boston.

BNPP AM USA is part of BNP PARIBAS ASSET MANAGEMENT (“BNPP AM”), the asset management arm of BNP Paribas (“BNPP”). BNPP AM is part of BNPP’s Investment & Protection Services division. BNPP AM is one of the major players in the investment management industry with assets under management totaling \$536 billion (as of December 31, 2022), comprised of approximately 3,000 employees in more than 30 countries (including joint ventures). As of December 31, 2022, BNPP AM USA managed \$41.0 billion in assets with \$41 billion managed on a discretionary basis and \$33.3 million on a non-discretionary basis.

BNPP AM USA’s clients include central banks, supra-national organizations, employee pension funds, insurance companies, endowments & foundations, hospitals, corporations, commercial banks, private funds, and Luxembourg-domiciled SICAVs of an affiliate.

While part of a global investment management business, the focus of this brochure is limited to the activities of BNPP AM USA. BNPP AM USA uses the services of various capable individuals (“Associated Persons,” as used by the SEC in the Unibanco No-Action letter of July 28, 1992, the ABN AMRO NV No-Action letter of July 1, 1997 and the Royal Bank of Canada No-Action letter of June 3, 1998) who are employed by BNP Paribas ASSET MANAGEMENT France including its Netherlands branch (“BNPP AM France”). These individuals may also provide services to clients of BNPP AM France or other BNPP AM affiliates, which trade a strategy similar to a U.S. client. Like the Firm, BNPP AM France is owned indirectly by BNP Paribas. For more information regarding BNPP AM USA’s Unibanco arrangement, including information about its affiliates, please see the section entitled “Other Financial Industry Activities and Affiliations”.

BNPP AM USA does not sponsor or manage any wrap fee programs.

As illustrated in the organizational chart below, BNPP AM USA is a direct wholly-owned subsidiary of BNP PARIBAS ASSET MANAGEMENT USA Holdings, Inc., a New York Corporation, which is in turn wholly owned by BNP Paribas US Wholesale Holdings, Corp. BNP Paribas USA, Inc. owns 100% of BNP Paribas US Wholesale Holdings, Corp., and is wholly owned by BNP Paribas.



BNPP is a publicly owned bank organized in France that engages in global financial activities. BNPP AM USA is part of BNPP AM, within BNPP's Investment & Protection Services division.

BNPP AM USA operates as an investment center including the following support and operational functions: Finance, Tax, Compliance, Risk Investment Monitoring & Control, Legal, Secretarial, Human Resources, Facilities, Business Continuity, IT, Risk, and Operational Risk. Certain Human Resources, Tax, Business Continuity and IT functions may be coordinated with the Firm's U.S. affiliates.

BNPP AM USA manages fixed income, multi-currency and equity portfolios. BNPP AM USA offers a variety of fee schedules for its investment products, as detailed below, which may include both management and performance fees, where appropriate. For each investment product, clients receive individualized investment advisory services tailored to their particular investment objectives and guidelines.

Clients complete an investment management agreement, or similar agreement depending upon the nature of the services to be provided, which explains the investment services they will receive and

the fees charged for such services. Clients should carefully examine this agreement and particularly the fee schedule. Investment management services provided may be available from other registered investment advisers for lesser fees. Clients have the opportunity to place reasonable restrictions or constraints on the way their account is managed.

## **Fees and Compensation**

BNPP AM USA manages portfolios for institutional clients including pension funds, corporations, universities, foundations, foreign institutions, supranational organizations, central banks, multinational investment banks, and financial services companies. In connection with the management of global portfolios and where permitted by our clients, we also manage exposure to foreign currencies.

The BNPP AM USA basic fee schedules, listed below, are subject to negotiation between the parties at BNPP AM USA's discretion. The precise schedule of fees is dependent upon the size of the mandate as well as any client specific requirements. In addition, BNPP AM USA reserves the right to waive all or a portion of its management and performance-based fees, as applicable, and negotiate investment minimums. Comparable clients in the same investment style may have fee schedules that vary from the standard fee schedule and BNPP AM USA reserves the right to add or delete certain services discussed below. For comparable services, other investment advisers may charge higher or lower fees than those charged by BNPP AM USA.

Our standard fees are generally as follows (per annum):

Product/Sub-Product Group	Product	Fee Schedule
Multi-Sector	Global Aggregate	25 bps on first \$100M 20 bps on next \$100M 15 bps thereafter
Multi-Sector	U.S. Core/ Core Plus	20 bps on first \$100M 12 bps on next \$100M 8 bps thereafter
Government	Global Sovereign	20 bps on first \$100M 15 bps on next \$100M 10 bps thereafter
Government: Inflation-Linked	Global ILB	22.5 bps on first \$250M 17.5 bps on next \$250M 15 bps thereafter
Government: Inflation-Linked	U.S. TIPs	20 bps on first \$250M 16 bps on next \$250M 12 bps thereafter
Short Duration	Short Duration	15 bps on first \$100M 10 bps on next \$100M 8 bps thereafter
Mortgages	Mortgage Index	20 bps on first \$250M 15 bps on next \$250M 10 bps thereafter

Money Market	Money Market	15 bps on the first \$250M 12 bps on next \$250M 10 bps thereafter
Alpha Strategies	Multi-Strategy / Absolute Return	45 bps on first \$150M 40 bps on next \$150M 35 bps thereafter
Alpha Strategies	Currency Active Hedging	10 bps 20% performance share
Alpha Strategies	Currency Alpha (5% Volatility Target)	50 bps on all assets 20% performance share
Alpha Strategies	Mortgage Alpha	20 bps on all assets 20% performance share
Corporates	U.S. High Yield	40 bps on first \$100M 30 bps on next \$50M 20 bps thereafter
Corporates	Global High Yield	40 bps on first \$100M 30 bps on next \$50M 20 bps thereafter
Corporates	Global Investment Grade	25 bps on first \$100M 20 bps on next \$100M 15 bps thereafter
Global Loans	Global Loans	45 bps on first \$200M 24 bps thereafter
Equities	U.S. Small Cap Equity	60 bps on first \$100M 40 bps on next \$100M 35 bps thereafter
Equities	U.S. Growth Equity	50 bps on first \$100M 40 bps on next \$100M 35 bps thereafter
Equities	U.S. Large Cap Core Equity	45 bps on first \$100M 40 bps on next \$100M 30 bps thereafter

Fees charged by BNPP AM USA are specified in a client's investment management agreement. Fees are payable quarterly, (although monthly, semi-annual and annual payment periods are also used) and are generally based upon the market value of funds managed as of the end of the preceding calendar quarter or on the average market value of funds managed within the calendar quarter. All client fees are paid in arrears.

BNPP AM USA's fees are exclusive of brokerage commissions, transaction costs and other related costs and expenses which shall be incurred by the client. Such costs are in addition to BNPP AM USA's fees and BNPP AM USA does not receive any portion of these costs. Please refer to the section entitled "*Brokerage Practices*" below for further information regarding the factors that BNPP AM USA considers in selecting and recommending broker-dealers for client transactions and determining the reasonableness of their compensation.

In lieu of direct investment, certain strategies or client mandates may invest in one or more pooled investment funds managed/advised/sub-advised by BNPP AM USA or an affiliate ("affiliated funds") including, mutual funds, ETFs, collective investment funds, private funds, offshore funds/pools, etc. A fund's investments will be made in accordance with the fund's offering documents (e.g., prospectus, offering memorandum, etc.). There may be additional risks discussed in the fund's offering documents or governing instruments which are not discussed in this Brochure. When a client's account invests in an affiliated fund, the client will not normally pay any additional investment management fees to BNPP AM USA or an affiliate in connection with investing in the affiliated fund. The client account is to be invested in the "no fee" share class of the affiliated fund (typically Class X). Please refer to Section "Other Financial Industry Activities and Affiliations" for a description of other conflicts of interest related to investing in affiliated funds.

Our investment management agreements may be terminated by us or by our clients, subject to applicable notice provisions contained in the contracts.

## **Performance Based Fees and Side-by-Side Management**

Performance based fees are fees based on a share of capital gains on or capital appreciation of the assets of a client. Performance fees are in effect for certain clients of the Firm. An adviser charging performance fees to some accounts faces certain conflicts because the adviser can potentially receive greater fees from its accounts having a performance-based compensation structure than from those accounts it charges a fee unrelated to performance (e.g., an asset-based fee). As a result, the adviser may have an incentive to direct the best investment ideas to, or to allocate or sequence trades in favor of, the account that pays a performance fee. The Firm is required to treat its clients fairly in relation to such conflicts of interest and will make decisions for client portfolios in accordance with its fiduciary responsibilities. Consistent with this fiduciary duty, BNPP AM USA's trading procedures seek to ensure that all clients are treated fairly and equitably and that no client account is advantaged or disadvantaged over another.

As referenced in the section entitled "*Fees and Compensation*" above, certain clients may have a portion of their separate account assets invested in commingled vehicles for which BNPP AM USA or an affiliate may be an adviser or sub-adviser. Recommendations to these clients to use these affiliated commingled vehicles are made to enhance overall investment returns, to improve investment offerings, and to allow clients to participate in certain investment opportunities that would otherwise not be available or economic on a separate account basis. BNPP AM USA will invest client assets in such affiliated funds only if authorized in the client's investment guidelines and does not violate any law and regulation (e.g. Investment Company Act, ERISA, etc.).



Investment teams and individual portfolio managers may manage multiple accounts, including separate accounts, offshore funds and mutual funds, according to the same or a similar investment strategy. Side-by-side management of the funds and other accounts raises the possibility of favorable or preferential treatment of a client or a group of clients. In general, investment decisions for each client account will be made independently from those of other client accounts and are made with specific reference to the individual needs and objectives of each client account. There is no requirement that an adviser use the same procedures consistently with respect to all accounts. Different strategies and client guidelines may lead to the use of different methodologies for addressing the potential conflicts of interest.

The Firm may manage numerous accounts with similar or identical investment objectives or may manage accounts with different objectives that trade in the same securities. Portfolio decisions relating to clients' investments and the performance resulting from such decisions may differ from client to client. The Firm will not necessarily purchase or sell the same securities at the same time or in the same proportionate amounts for all eligible clients, particularly if different clients have materially different amounts of capital under management by the Firm or different amounts of investable cash available. Given these and other potential conflicts, the Firm's order allocation procedures are designed to ensure that clients are treated fairly over time.

## **Types of Clients**

The Firm may provide customized investment management services to institutional clients, including but not limited to, central banks, official institutions, supranational organizations, public funds, employee pension funds, insurance companies, endowments, foundations, hospitals, corporations, commercial banks, multinational investment banks, financial services companies, mutual funds registered under the Investment Company Act of 1940, private funds and Luxembourg-domiciled Reserved Alternative Investment Funds (RAIFs), including SICAVs, of an affiliate. BNPP AM USA also provides non-discretionary investment management activities and acts as a collateral manager for structured products such as CDOs and CLOs.

As a discretionary manager, we review the specific circumstances, current investments and investment goals of each client. In order to assure an appropriate fit with the management style chosen, BNPP AM USA reserves the right to review each prospective client as to investment profile.

We generally impose a \$150 million account minimum for investment management services. BNPP AM USA may negotiate minimum asset size on a case by case basis.

## Methods of Analysis, Investment Strategies and Risk of Loss

BNPP AM USA's investment philosophy is based upon the following beliefs:

### FIXED INCOME

- i) **Systematic use of multiple alpha strategies delivers consistent returns.** Our clients are looking for consistent returns with capital preservation. We have developed a systematic process to profitably exploit market inefficiencies in fixed income across global markets. We believe that asset allocation is best conducted by a dedicated top-down decision-making team able to compare relative value opportunities across all fixed income asset classes simultaneously; while more bottom-up security selection decisions are best left to specialist managers for each asset class. We believe this is the best way to deliver consistent returns and avoid a series of high and low returns.
- ii) **Blending qualitative analysis and quantitative models yield superior results.** We believe the combination of judgmental and quantitative alpha strategies is a more powerful way to manage fixed income and yield superior results. By using both methods, we are able to diversify returns, and therefore generate a better risk-adjusted return profile throughout a market cycle.
- iii) **Specialized, accountable and incentivized managers make better decisions.** We believe that accountability and transparency, expressed via individual risk budget allocations, results in better decision-making. Also, providing market competitive compensation levels and directly linking compensation with individual performance ensures superior-performing professionals are remunerated accordingly.
- iv) **Management of risk ranks hand-in-hand with the search for alpha.** We believe that the successful management of fixed income portfolios in today's market is highly dependent upon sophisticated risk management practices. The development, integration and utilization of risk tools must always rank among the firm's highest priorities.
- v) **Constant innovation keeps us ahead of the curve.** Innovation is necessary for value creation. Sustainable advancement requires continuous innovation – and specialization – as markets are constantly evolving. Our investment strategies and processes will evolve over time in anticipation of these changes.
- vi) **Environmental, Social and Governance awareness.** We believe that ESG considerations, when combined with traditional financial analysis, can help investors to understand a wider set of risks and opportunities and, in turn, make better-informed investment decisions. This holds true for our US fixed income strategies, which abide by BNPP AM's ESG integration guidelines, that stipulate that portfolio managers should not invest in securities without consideration of ESG and that portfolios should aim to have a higher ESG score and lower carbon footprints than their respective benchmarks or universes.

Our clients' portfolios are managed by a team of investment professionals. Investment decisions are made by product heads and portfolio managers focusing on generating alpha according to their specific expertise. All decisions are made to balance the expected return outcome with the assessed risk of the position, in the context of the risk parameters and investment guidelines of each client's portfolio. Positions may be strategic and of a long term nature, or tactical to take advantage of short term anomalies.

Fixed Income CIO: The Global BNPP AM Fixed Income CIO, who is located in Paris, has oversight responsibility for all activities relating to the management and performance of BNPP AM USA's fixed income investment teams, products and portfolios. The Global BNPP AM Fixed Income CIO oversees and guides investment processes across teams, ensuring consistency of processes. He is responsible for challenging the strategies and processes of the various investment teams. Lastly, the Global BNPP AM Fixed Income CIO works with the head of each of the Firm's fixed income product teams to define strategy for fixed income activities, focusing on meeting client needs and AUM growth.

Product Solutions: The role of the product head is to manage the strategies within their product areas. The product heads dynamically allocate risk to appropriate alpha teams and remain responsible for performance of the overall strategy. Their role also is to ensure that the strategies within the product area are relevant and continue to suit client needs and they are expected to innovate and develop new strategies as markets develop and demands change. Ultimately, they are responsible for the performance, quality and growth of the strategies within their respective areas.

Portfolio Management: The role of the portfolio manager is to ensure portfolios are constructed according to client guidelines and objectives such that risk is allocated to appropriate alpha sources; risk utilization at the portfolio, alpha team and trade level is monitored; and the combination of positions and sizing of these positions supports alpha and risk targets specified. The portfolio manager works closely with the product head, who oversees the strategy, and the client and client-facing teams to ensure a full understanding of the client's investment needs and complete client satisfaction.

Single Strategy Teams: Alpha teams are organized by area of specialty (global inflation and rates, currency, structured securities and leveraged finance) and function as autonomous idea generators relative to one another. Single Strategy teams have an annual (team) alpha target and risk budget which is met through the generation of a diverse set of ideas. Single sector portfolio managers are typically synonymous with the head of the alpha team, leveraging independent idea generation from that alpha team. Multi-sector portfolio managers utilize ideas generated by multiple alpha team members at conviction levels that are appropriate to client guidelines. Below we describe the idea generation by alpha team:

Global Inflation and Rates: Ideas are generated using bottom-up fundamental analysis combined with in-house quantitative models across inflation, volatility, curve, duration and cross-country relative value.

Currency: Combination of fundamental views on drivers of capital flow (judgment) and model-based strategies designed to select those currencies expected to appreciate in value relative to those expected to depreciate. The opportunity set focuses on developed and emerging currencies.

**Structured Securities:** Alpha generation arises from the selection of individual securities, such as fixed and adjustable-rate mortgage pass-throughs, collateralized mortgage obligations (CMO), and mortgage interest- and principal-only strips. Our process seeks to identify the characteristics impacting prepayments including coupons, maturities, geography, loan balance, loan-to-value, originators/servicers as well as volatility and structural inefficiencies.

**Leveraged Finance:** Alpha is generated through the ability to identify idiosyncratic and macroeconomic risks that may impact the ability of individual borrowers to issue, service, refinance and/or prepay debt. Emphasis is placed on fundamental analysis of individual credits.

**Multi-Strategy Teams:** Multi-strategy investment teams (total return, absolute return and short duration) utilize the investment ideas from the above noted alpha teams in a risk-controlled manner. In addition to idea generation from alpha teams, multi-strategy teams are typically involved in active risk allocation and/or asset allocation, with the intention of creating well-diversified portfolios.

**Total Return:** These are aggregate-based (U.S., European or Global) portfolios that make use of multiple alpha sources in a risk-controlled manner (e.g., targeting tracking error). Portfolios are typically construed as long-only strategies, but may exhibit large deviations in terms of sector, quality, geography and interest rate sensitivity, based on the relative tracking error allowance.

**Absolute Return:** These portfolios are multi-strategy global fixed income solutions that seek to maximize risk-adjusted return given a pre-defined volatility budget. The strategy utilizes a wide diversification of alpha sources via strategies from multiple sectors and multiple teams.

**Short Duration:** Short duration portfolios are designed to focus on capital preservation and stability of returns, with yield generation a secondary objective. Solutions tend to include both U.S. and Global offerings with a duration range from enhanced cash to short-to-intermediate duration.

Periodically, the investment teams review and establish target levels of incremental return for each portfolio. Concurrently, consideration of the client's return objectives and the market environment is undertaken in an effort to provide the appropriate scaling of off-benchmark exposures required to meet the targeted incremental return.

**Leveraged Finance:** The Firm is a collateral manager for three Collateralized Debt Obligations (CDOs) all of which are past their reinvestment dates. The Firm also manages one Collateralized Loan Obligation (CLO), which ended its reinvestment period in 2018. The Firm may manage additional CLOs in the future, and may also act as a collateral manager for other structured products and private funds. Further, the Firm is a sub-portfolio manager for North American loan investments for two RAIFs of its affiliated Dutch management company. Although not available to U.S. investors, the Firm may invest in loan transactions for which BNPP, acting through its New

York Branch, may have an active role. Appropriate controls are established to mitigate any potential or actual conflicts of interest.

Investment Approach and Risk: The investment approach centers on taking a series of diversified, often uncorrelated positions that balance currency and interest-rate risks around specified performance benchmarks. Global fixed-income portfolios are constructed using sovereign debt and currencies and, guidelines permitting, corporate bonds, structured securities, and emerging market investments.

BNPP AM USA may use futures and various other derivatives (such as interest rate swaps, credit default swaps and currency forwards) in the management of fixed-income portfolios, where eligible. These instruments are used to take or hedge existing positions and as a substitute for the cash market when the synthetic alternatives are deemed more efficient. BNPP AM USA uses derivatives in portfolios only when permitted by the client and when consistent with the terms of a client's investment guidelines.

BNPP AM USA collects data from a variety of public and private sources, casting a fairly wide net. However, irrespective of the source, data is scrutinized and analyzed internally with a high degree of rigor. It is our analysis of the data that adds value, not the source of the data. Duration, yield curve and sector allocations are generally driven by macroeconomic factors, and hence our decisions are generally based on publicly available information (e.g., the Bureau of Labor Statistics). Security selection decisions are generally based on purchased or proprietary models. Purchased models are not used "as is": BNPP AM USA makes proprietary modifications to them to reflect our investment beliefs; further, all data used in these models has been evaluated and if necessary, modified, by proprietary analysis. Most importantly, models are seen as informative but not deterministic in making allocation decisions. BNPP AM USA realizes that the outputs from modeling can have its shortcomings if there is an over-reliance on models in the investment decision-making process.

## EQUITIES

In addition to being able to access an experienced research staff within BNP PARIBAS ASSET MANAGEMENT, BNPP AM USA obtains ideas from an extensive network including industry contacts, market and securities analysts and its team of investment professionals. BNPP AM USA will evaluate potential investment opportunities based on extensive primary research into each company, evaluations from external sources and in depth contact with the company's management team. BNPP AM USA may utilize research materials prepared by affiliates and third parties.

At the portfolio level, BNPP AM USA may utilize absolute volatility, tracking error volatility, expected shortfall, value-at-risk, concentration risk from countries, sectors and individual positions to fit within the guidelines and investment strategies of a given portfolio. The investment strategy for each program varies and various measurements and tools are implemented based on the investment needs of the client.

Investing in securities involves risk of loss that clients should be prepared to bear. Strategies are managed by teams of investment professionals. The description provided below is an overview of the various investment strategies and is not intended to be complete:

U.S. Equities Strategies: In our judgment, the best way to drive strong returns is to invest in businesses with solid growth outlooks, sustainable competitive advantages and whose equities trade at a discount to our estimate of intrinsic value. In our view sustainable companies have both a resilient business model and a positive or improving Environmental Social and Governance (ESG) profile. Our definition of sustainability captures financial, economic and ESG perspectives. Resilient businesses are those operating in an industry with an attractive structure, with healthy balance sheets, Free Cash Flow (FCF) generation capability, and sound management and cultures. The enduring competitive advantages we look for include innovative products and services, market leadership, and brand power; businesses with moats and/or high barriers to entry.

Our fundamental process is based on our belief that stock prices reflect earnings and that our in-depth company research is focused on developing a learned view on each company's sustainable earnings prospects. Thus, applying a consistent and disciplined approach will provide a sustainable edge for creating added value. Furthermore, we believe effective risk management maximizes the value to the client by ensuring that portfolio risk is both intended and justified.

Our strategy incorporates philosophies of both growth and value investing, seeking a balance between companies that have had consistently strong earnings growth and those trading at attractive price valuations. Our approach leads us to companies with strong overall fundamentals.

With our extensive experience as a guide, we seek to identify attractive opportunities under the current market environment. The team sources ideas by using industry sources and professional contacts developed over the years. The team completes a thorough review of the sectors for which they are responsible and evaluates stocks down to the sub-industry level. We need to understand the competitive advantages each company possesses that will lead to their outperformance. We also focus on identifying events capable of unlocking value.

Using a number of valuation criteria, analysts identify companies that are favorably valued relative to their direct peers and their own histories based on our view of their earnings prospects. The research process includes meeting directly with company management. The end-result of our fundamental research is a valuation for each company we are analyzing.

The team allocates the majority of their risk budget at the stock level. This is primarily accomplished through keeping the portfolio sector group within an appropriate range compared to the applicable benchmark. This limits unintended risks. The team monitors ex ante risk, marginal contribution to risk of each holding, and the product's overall risk profile (i.e., portfolio characteristics, style, size, etc.) relative to the appropriate benchmark. Risk indicators are controlled on an ongoing basis as part of the daily management of the strategy.

## FIXED INCOME and EQUITIES

Risk control is critical to our portfolio management process. The risk management process starts with the establishment of a portfolio specific risk budget, which is based on the client's investment guidelines. Risk is monitored on a daily basis by the Investment Risk Team using commercial exposure and risk management systems.

Pre/Post Trade Monitoring: An Investment Compliance module in the Firm's client account system allows the Risk Investment Monitoring & Controls team to input guidelines for each investment team. The Risk Investment Monitoring & Controls team is responsible for the implementation of legal and statutory rules for each fund and mandate entered into the system. The pre-trade controls are automatically performed by the Investment Compliance systems.

Pre-trade Investment Compliance is performed where the Portfolio Manager is located and these controls are attached to the Portfolio Management System module of the Firm's client account system.

On a pre-trade basis, each portfolio is controlled individually, and constraints (rules) may be unique to a portfolio, or shared among many portfolios (e.g. regulatory rules). Standard checks include investment constraints such as excluded securities, asset classes, or sectors; and maximum allocations per asset class, in absolute terms or relative to the benchmark.

When a portfolio manager raises an order, its characteristics are added to the current portfolio positions to make sure that none of the specified constraints is breached. Monitoring can be customized to accommodate a client's risk tolerance. Depending on the severity of the constraints, a rule can be coded to allow portfolio manager overrides or prohibit additional exposure if a threshold is reached. If a hard restriction is in place, he or she will be unable to add the order. If there is a soft restriction, he or she may override this but must provide a reason for doing so.

On a post-trade basis, each local or central Risk Investment Monitoring & Controls officer is responsible for the implementation of the guidelines for any local fund/mandate under his or her jurisdiction. When the Risk Investment Monitoring & Controls team identifies a breach of the guidelines or a similar anomaly, immediate action is taken. The appropriate portfolio manager is notified and instructed to take prompt corrective action.

Investment Compliance Checks: All pre-trade or post-trade investment compliance checks are performed on an on-going basis. Pre-trade investment compliance checks are performed on real-time position keeping each time a portfolio manager enters a new transaction. A variety of processes have been implemented in order to evaluate, monitor and limit the Investment Compliance risks. The Risk Investment Monitoring & Controls team is a dedicated team, within the risk management framework, that ensures the manager's investment activities are compliant with the client's guidelines and any applicable local regulations if required.

The Risk Investment Monitoring & Controls team uses dedicated modules within the client account system. The front-to-back investment platform, which enable pre-trade and post-trade controls, is configured with a dedicated tool to reduce the frequency and magnitude of breaches.

Investment Risks: All investing involves a risk of loss and the investment strategy offered by BNPP AM USA could lose money over short or even long periods. No guarantee or representation is made that any of the investment programs offered by BNPP AM USA will achieve its investment objective. The description contained below is a brief overview of different investment risks related to BNPP AM USA's advisory services:

*Investing in securities is inherently risky.* An investment in individual securities or in a portfolio of securities could lose money. BNPP AM USA cannot give any guarantee that it will achieve its investment objectives or that any client will receive a return on or of its investment.

*Market Risk.* The investments may be subject to price volatility due to factors such as interest sensitivity, market perception, and creditworthiness of issuer and market liquidity. Stock markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Different parts of the market can react differently to these developments. The value of an individual security or particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole.

*Debt Securities Risk.* Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities, including U.S. Government obligations.

*Government Obligations Risk.* If a government-sponsored entity is unable to meet its obligations, the performance of a portfolio or a mutual fund that holds securities of the entity will be adversely impacted.

*Mortgage- and Asset-Backed Securities Risk.* Mortgage- and Asset-Backed securities risk includes Market Risk, Interest Rate Risk, Credit Risk, Prepayment Risk (*i.e.*, homeowners whose mortgages collateralize the securities held by certain mortgage-backed securities may be able to prepay principal due on these mortgages, which could cause such mortgage-backed securities to reinvest the proceeds at lower yields) as well as the risk that the structure of certain mortgage-backed securities may make their reaction to interest rates and other factors difficult to predict, making their prices very volatile. Under certain adverse market conditions, mortgage- and asset-backed securities may have more limited liquidity than usual.

*Issuer Risk.* The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, decline in the value of investments held by the issuer, increase in the operational and/or financing cost of the issuer, and reduced demand for the issuer's goods and services.

*Credit and Counterparty Risk.* There is a risk that issuers or counterparts will default and fail to repay principal and interest in a timely manner or do not fulfill their obligations and commitments. If the rating of an issue, issuer or a counterpart is downgraded this may cause the value of the



related assets to fall. The severity of the risk varies depending on the quality of the issuer or counterparty. The assets can be partly invested in securities issued by corporate entities, bank, financial institution and/or public sector and this poses a higher risk than investment in government securities.

*Industry or Sector Emphasis Risk.* Investing a substantial portion of assets in related industries or sectors may have greater risks because companies in these industries or sectors may share common characteristics and may react similarly to market developments.

*Non-Diversification Risk.* Non-diversified portfolios have the ability to take larger positions in a smaller number of issuers than a diversified portfolio, which makes a non-diversified portfolio more susceptible to financial, economic or market events impacting such issuers, and a non-diversified portfolio's performance may be more volatile than the performance of a diversified portfolio.

*Environmental, Social and Governance Matters ("ESG") Risk.* Certain issuers and industries may be included or excluded from our actively managed portfolios based upon our view of their ESG performance and risk profile. As a result, we may invest in or pass up certain opportunities which may vary by issuer or industry at any point in time. Due to significant gaps in disclosure regimes around the world, BNPP AM may need to rely upon voluntary disclosures by issuers, which are often not audited. Therefore, the Firm may not have consistent access to complete, accurate or comparable information about the ESG performance of our holdings. Please consult your investment management agreement or other applicable documentation for more information about the specific ESG approach employed by each investment strategy since a given strategy may not have specific ESG guidelines, and investments are not limited to securities that are ESG compatible. Further, BNPP AM is a signatory to various standards and stewardship codes in relation to ESG investing. Such standards are aspirational in nature, and associated ratings, if any, can change over time. There is no assurance that any BNPP AM USA portfolio will be aligned with any specific set of standards or codes at a given point in time. BNPP AM applies its own proprietary ratings to the investments it makes, which incorporate information from third-party standards and ratings, therefore there are risks that any given investment may violate a given set of ESG standards at any point in time.

*Management Risk.* Management risk means that your investment varies with the success and failure of BNPP AM USA's investment strategies and its analysis and determination of portfolio securities.

*Mutual Fund and ETF Trading Risk.* Where permitted by a client's investment guidelines, BNPP AM USA's portfolio managers may invest in mutual funds that are either open-end or closed-end investment companies as well as ETFs. ETFs are investment companies that are bought and sold on a national securities exchange. Unlike mutual funds, ETFs do not necessarily trade at the net asset values of their underlying securities, which means an ETF could potentially trade above or below the value of the underlying portfolios. As such, trading in ETFs is subject to (without limitation) similar risks as those of the listed stocks. Also, both mutual funds and ETFs have management fees that are part of their costs.

*Currency Risk.* Investments in foreign securities involve exposure to fluctuations in foreign currency exchange rates. Such fluctuations may reduce the value of a client's investment in a foreign security.

*Emerging Markets Risk.* Emerging markets may have obsolete financial systems and volatile currencies, and may be more sensitive than more mature markets to a variety of economic factors. Emerging market securities also may be less liquid than securities of more developed countries and could be difficult to sell, particularly during a market downturn.

*Foreign Investment Risk.* Foreign securities, including American, European and Global Depositary Receipts, may be subject to more risks than domestic investments. These additional risks may potentially include lower liquidity, greater price volatility and risks related to adverse political, regulatory, market or economic developments. Foreign companies may also be subject to significantly higher levels of taxation than domestic companies, including potentially confiscatory levels of taxation, thereby reducing the earnings potential of such foreign companies.

*Stock Market Risk.* Equity securities are subject to stock market risks and significant fluctuations in value.

*Growth Style Investment Risk.* Growth investments can perform differently from the market as a whole and from other types of investments. While growth investments may react differently to issuer, political, market and economic developments than the market as a whole and other types of investments by rising in price in certain environments, growth investments also tend to be sensitive to changes in the earnings of their underlying companies and more volatile than other types of stocks, particularly over the short term.

*Value Style Investment Risk.* Value investments can perform differently from the market as a whole and from other types of stocks. Value investments may be purchased based upon the belief that a given security may be out of favor; that belief may be misplaced or the security may stay out of favor for an extended period of time.

*Industry or Sector Emphasis Risk.* Investing a substantial portion of assets in related industries or sectors may have greater risks because companies in these industries or sectors may share common characteristics and may react similarly to market developments.

*Medium-Sized Companies Risk.* Medium-sized companies may be more vulnerable to adverse business or economic events than stocks of larger companies. Investing in securities of medium-sized companies involves greater risk than investing in larger, more established companies because they can be subject to more abrupt or erratic share price changes than larger, more established companies.

*Smaller Company Securities Risk.* Securities of companies with smaller market capitalizations tend to be more volatile and less liquid than larger company stocks. Smaller companies may have no or relatively short operating histories, or be newly public companies.

*REIT Securities Risk.* The performance of equity and mortgage REITs depends on the performance of the portfolio investments of the REIT in real estate and/or mortgages. Equity REITs may be affected by any changes in the value of the underlying property owned by the trusts. Mortgage REITs may be affected by the quality of any credit extended and by special tax rules that apply to certain investments in securitized pools of mortgages. There are also risks from borrowers and tenants defaulting on their obligations. The securities of real estate companies and REITs can trade less frequently and have more limited volumes and can potentially be more volatile than other securities.

*Cybersecurity Risk.* BNPP AM USA and its service providers, like all companies, are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users as well as unintentional damage or interruption that, in either case, can result in damage or interruption from computer viruses, network failures, computer and telecommunications failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events. A cybersecurity breach could expose BNPP AM USA to substantial costs, civil liability as well as regulatory inquiry and/or action. In addition, any such breach could cause substantial withdrawals from a client account. While BNPP AM USA has established a business continuity plan in the event of, and risk management strategies, systems, policies and procedures to seek to prevent, cybersecurity breaches, there are inherent limitations in such plans, strategies, systems, policies and procedures including the possibility that certain risks have not been identified. Furthermore, BNPP AM USA cannot control the cybersecurity plans, strategies, systems, policies and procedures established by other service providers to client accounts and/or the issuers in which the client accounts invest.

## **Disciplinary Information**

On August 8, 2023, the Commodity Futures Trading Commission alleged that BNP Paribas S.A. and BNP Paribas Securities Corp. failed to (1) maintain and preserve off-channel communications related to the business of the futures commission merchant, in willful violation of Sections 4s(f)(1)(C) and 4g of the Commodity Exchange Act and Commission Regulations 1.31(b)(4), 1.35, and 23.201(a); and (2) reasonably supervise their employees with a view to preventing or detecting certain of their employees' aiding and abetting violations of Sections 4s(f)(1)(C) or 4g of the Commodity Exchange Act and Commission Regulations 1.31(b)(4), 1.35, or 23.201(a). BNP Paribas S.A. and BNP Paribas Securities Corp. admitted to the facts in the settlement order, acknowledged their conduct violated the Commodity Exchange Act and agreed to (A) cease and desist from committing or causing any violations or any future violations of Sections 4s(f)(1)(C) and 4g of the Commodity Exchange Act and Commission Regulations 1.31(b)(4), 1.35, and 23.201(a), (B) pay a civil monetary penalty in the amount of \$75,000,000, and (C) comply with certain undertakings related to retention of electronic communications.

---

On July 5, 2022, the CFTC issued an order against BNPP alleging that, from at least 2016 through 2021, BNPP failed to correctly report numerous swap transactions as required by the CEA and

CEA regulations, and that from 2016 through 2017, BNPP adjusted daily mark disclosures to swap counterparties on certain swap transactions in a manner that was not consistent with the CEA and CEA regulations. The CFTC alleged, consequently, that from at least 2016 until 2021, BNPP inadequately supervised its swap dealer. Without admitting or denying the CFTC's findings or conclusions, BNPP agreed to a fine of \$6,000,000, which was timely paid. BNPP also agreed to make a written report within one year of entry of the order to the CFTC regarding its compliance with the provisions of the CEA and CEA regulations that are the subject of the order, which will be certified by a Chief Compliance Officer.

---

On January 25, 2018, the U.S. Department of Justice filed a one-count criminal information in the United States District Court for the Southern District of New York ("District Court") charging BNP Paribas USA, Inc. ("BNPP USA") with an antitrust conspiracy offense from September 2011 until July 2013. On the same day, BNPP USA pleaded guilty. On May 30, 2018 the District Court sentenced BNPP USA to a fine of \$90 million and a \$400 special assessment. Judgment was entered on June 4, 2018. Neither BNPP AM USA nor any other affiliate of BNPP registered with the SEC as an investment adviser under the Investment Advisers Act of 1940 or a broker-dealer under the Securities Exchange Act of 1934 was involved in the conduct underlying BNPP USA's plea. In advance of the formal plea, counsel to BNPP USA had discussions with the SEC to request relief enabling BNPP USA's investment advisory and other affiliates to continue to provide uninterrupted advisory services to certain classes of clients. The SEC issued a Permanent Order on February 23, 2018 permitting BNPP USA's registered investment advisory affiliates to continue to provide advisory services to U.S. registered investment companies. On the date the plea was entered, BNPP filed a formal application with the U.S. Department of Labor (the "DOL") seeking relief that would allow BNPP's investment advisory and other affiliates to continue to use the QPAM exemption, with additional conditions. The DOL granted a one year temporary exemption on May 30, 2018 that permitted, until June 3, 2019, certain BNPP investment advisory affiliates, including BNPP AM USA, and other affiliates to continue to use the QPAM exemption under additional conditions, notwithstanding the 2015 and 2018 convictions. On October 26, 2018, the DOL notified BNPP that it had decided not to propose permanent relief. As a result, unless the DOL changes its position on this matter, as of June 4, 2019, BNPP's investment advisory affiliates, including BNPP AM USA, are not be able to rely upon the QPAM exemption in providing services to clients.

---

From at least 2004 through 2012, BNPP knowingly and willfully moved over \$8.8 billion through the U.S. financial system on behalf of Sudanese, Iranian, and Cuban sanctioned entities, in violation of U.S. economic sanctions, including more than \$4.3 billion in transactions involving entities that were specifically designated by the U.S. Government as being cut off from the U.S. financial system. BNPP engaged in this criminal conduct through various sophisticated schemes designed to conceal from U.S. regulators the true nature of the illicit transactions. On June 30, 2014, the U.S. Department of Justice (the "Department of Justice") and the Office of the U.S. Attorney for the Southern District of New York (the "SDNY", and together with the Department of Justice, the "DOJ") filed a notice of intent to file a one-count criminal information in the District Court for the Southern District of New York (the "District Court"), and the New York County District Attorney's Office ("DANY") filed a two-count criminal information in the Supreme Court

of the State of New York, County of New York (the “Supreme Court”) against BNPP. The DOJ’s information, which was filed on July 9, 2014, charged BNPP with conspiracy to commit violations of the International Emergency Economic Powers Act and the Trading with the Enemy Act, and regulations issued thereunder. DANY’s information charged BNPP with the crime of falsifying business records in the first degree and conspiracy in the fifth degree. BNPP agreed to resolve the action brought by DANY through a plea agreement dated June 30, 2014 and the action brought by the DOJ through a plea agreement dated June 28, 2014 (the “Plea Agreements”). The Plea Agreements required BNPP to plead guilty to the charges set out in the respective information and to pay over \$6.2 billion to the U.S. and New York state governments. The Plea Agreements also required BNPP to lawfully undertake certain remedial actions to address the conduct described in the Plea Agreements and the attachments thereto (the “Conduct”). On April 15, 2015, BNPP was sentenced by the Supreme Court to a three-year conditional discharge, in line with the DANY Plea Agreement, while requiring BNPP to implement compliance procedures and training, among other things. On May 1, 2015, the District Court entered a final judgment of conviction against BNPP, while requiring remedies that are materially the same as those set forth in the DOJ Plea Agreement, including a term of probation of five years and an obligation of continued cooperation.

BNPP also entered into regulatory settlements relating to the Conduct. BNPP agreed to enter into a Cease and Desist Order Issued Upon Consent with the Board of Governors of the Federal Reserve System (the “Federal Reserve”) and the French Autorité de Contrôle Prudentiel et de Résolution (the “ACPR”) to resolve certain findings by the Federal Reserve and ACPR relating to the Conduct. BNPP also agreed to enter into an Order to Cease and Desist and Order of Assessment of a Civil Money Penalty Issued Upon Consent with the Federal Reserve to resolve certain findings by the Federal Reserve relating to the Conduct. BNPP and the New York State Department of Financial Services (the “DFS”) entered into a Consent Order to resolve certain findings by the DFS relating to the Conduct. Additionally, BNPP entered into a Settlement Agreement with the United States Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) to resolve certain findings by OFAC relating to the Conduct. The settlement with the Federal Reserve required BNPP to pay \$508 million to the Federal Reserve, while the settlement with the DFS required BNPP to pay \$2.2434 billion to the DFS.

In advance of the formal pleas, counsel to BNPP had discussions with the SEC to request relief enabling BNPP’s investment advisory and other affiliates to continue to provide uninterrupted advisory services to certain classes of clients. On the date the plea was entered, BNPP filed a formal application with the U.S. Department of Labor (the “DOL”) seeking relief that would allow BNPP’s investment advisory and other affiliates to continue to use a particular trading exemption, the QPAM exemption, that the Department issued on a class basis to make trading for benefit plans more efficient. It may not be used if a manager or one of its specified affiliates has been convicted of certain crimes. The SEC issued a Permanent Order on July 28, 2014 permitting BNPP’s registered investment advisory affiliates to continue to provide advisory services to U.S. registered investment companies. On April 15, the DOL granted a ten year exemption (no longer applicable) permitting certain BNPP investment advisory affiliates, including BNPP AM USA, and other affiliates to continue to use that exemption with additional conditions, notwithstanding the 2015 convictions. As noted above, in light of the 2018 conviction, a further exemption was obtained that permitted certain BNPP investment advisory affiliates, including BNPP AM USA and other

affiliates, to continue to use the QPAM exemption with additional conditions until June 3, 2019 notwithstanding the 2018 conviction.

---

Neither BNPP AM USA nor any other affiliate of BNPP registered with the SEC as an investment adviser under the Investment Advisers Act of 1940 was named in any of these settlements or involved in the Conduct underlying these settlements. BNPP AM USA is committed to observing the highest standards of integrity and regulatory compliance in all aspects of its work.

BNPP AM USA and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the Firm or its personnel.

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

BNPP AM USA is registered as a commodity pool operator, commodity trading advisor and swap firm with the U.S. Commodity Futures Trading Commission and is a member of the National Futures Association.

BNPP AM USA is neither a registered broker-dealer nor has an application pending to register as a broker-dealer.

BNPP AM USA is a subsidiary of BNPP, a publicly owned bank organized in France engaged in global financial activities. Since BNPP AM USA is a subsidiary of a global financial organization, it has arrangements with companies that are under common control of BNPP. The description below provides an overview of relationships with other businesses affiliated with BNPP AM USA that are considered material to its advisory business.

*BNP PARIBAS ASSET MANAGEMENT.* As part of a global strategy, BNPP's asset management arm has been branded as BNP PARIBAS ASSET MANAGEMENT, or BNPP AM. BNPP AM includes, those various asset managers which comprise BNPP's asset management business line. A list of the individual asset managers is available upon request. BNPP AM is not itself an investment adviser registered with the SEC; rather, clients will directly contract with individual asset management firms that may be regulated in the U.S. or in jurisdictions external to the U.S.

BNPP AM USA may manage and/or advise on the investment activities for a range of managed accounts for which it has been appointed by clients as investment adviser and to provide investment advisory services in connection with such accounts by using the services of various capable individuals, including individuals ("Associated Persons," as used by the SEC in the Unibanco No-Action letter of July 28, 1992, and Royal Bank of Canada No-Action letter of June 3, 1998) who are employed or seconded by BNPP AM France.

The Associated Persons may also provide services to clients and accounts for BNPP AM France which trade a strategy similar to U.S. clients. Like BNPP AM USA, BNPP AM France is owned indirectly by BNPP. BNPP AM France has appointed BNPP AM USA as its agent in name, place

and stand to receive and forward service of any writ, process or summons in respect of any legal actions or proceedings arising out of or in connection with services performed by BNPP AM France or its employees for and as Associated persons of BNPP AM USA pursuant to such arrangement. BNPP AM USA undertakes liability to its clients for the acts or omissions of such Associated Persons as if BNPP AM USA had performed such acts or omissions itself. BNPP AM France may recommend to its clients, or invest on behalf of its clients in, securities that are the subject of recommendations to, or discretionary trading on behalf of, BNPP AM USA's U.S. clients. BNPP AM USA may reimburse its affiliates for services provided under the Unibanco arrangement. BNPP AM USA may also rely on analysis developed by analysts at BNPP AM France.

Other Investment Advisers. BNPP AM USA has arrangements that are material to its advisory business with another BNPP AM investment adviser that is registered with the SEC, BNP PARIBAS ASSET MANAGEMENT UK Limited (BNPP AM UK). For example, certain BNPP AM UK employees are seconded to the Firm to assist in managing client portfolios.

From time to time, BNPP AM USA enters into business relationships with other BNPP AM companies as a sub-manager for client portfolios or funds for which another BNPP AM company acts as manager. On occasion, prospective clients may be directly introduced to BNPP AM USA by other BNPP AM companies. In such instances, BNPP AM USA and the relevant BNPP AM company will negotiate fee sharing arrangements on a case by case basis. Certain persons who provide services to us may be employed by or also provide services to affiliates of BNPP AM USA.

Investment Companies. BNPP AM offers a family of funds to European investors that are registered in Belgium, France, Luxembourg and the Netherlands. In certain cases, BNPP AM USA has entered into sub-advisory or delegation agreements with its BNP AM European affiliates to manage assets of the funds. Clients are not assessed additional fees for this service. BNPP AM USA serves as adviser, sub-advisor or delegated manager to offshore investment companies sponsored and distributed through BNP Paribas affiliates.

Eligible clients may authorize BNPP AM USA to invest in affiliated funds within their Investment Guidelines. Such investments in affiliated funds give rise to conflicts of interest including, but not limited to:

- increasing the net assets of the affiliated fund which benefits the marketing of the fund;
- reducing the total expenses borne by other investors in the fund;
- increasing the benefit to other BNPP affiliates who provide custody, brokerage, administration or fund accounting services to such fund;
- non-BNPP AM USA portfolio managers who manage affiliated funds may be investors in affiliated funds;
- being subject to the investment performance of the affiliated fund;
- where our affiliates earn performance based fees on such funds BNPP AM USA may be incentivized to recommend an investment in an affiliated fund rather than a third party managed fund; and

- if the affiliated fund is owned or controlled through 25% or more ownership by BNPP affiliates, trading such a fund may be deemed to be a principal transaction for which investor pre-approval and additional disclosures are necessary.

BNPP AM USA addresses these conflicts by eliminating them where possible, through disclosure and where they cannot be eliminated, implementing controls. For example, for separate mandates that allow investments in affiliated funds, BNPP AM USA has implemented a rule in its order management system (OMS) to block a portfolio manager from submitting an order to invest in an affiliated fund without receiving prior approval from Compliance. Thereby, an analysis can be performed to determine if such investment is allowable without further notification/consent from the client. The Firm continues to identify methods to mitigate conflicts of interest.

Outsourcing. The Firm utilizes BNPP AM centers located in jurisdictions outside of the U.S. to facilitate the transmission of orders, reconciliation and other post trade functions. Such services are covered by a Service Level Agreement.

BNP Paribas. BNPP, its affiliates and their directors, partners, trustees, members, officers and employees are engaged in businesses and have interests which may conflict with the business activities of BNPP AM USA. These activities and interests include potential multiple advisory, transactional and financial and other interests in securities, instruments and companies.

As previously noted above, BNPP is a full service financial services institution and a major participant in global financial markets. As such, it acts as an investor, investment banker, research provider, investment manager, financier, adviser, market maker, trader, prime broker, lender, agent and principal, and has other direct and indirect interests, in the global fixed income, currency, commodity, equities and other markets in which BNPP AM USA directly and indirectly invests on behalf of client portfolios. BNPP AM USA will make decisions for client portfolios in accordance with its fiduciary responsibilities; however, the potential business relationships, fees, compensation and other benefits to BNPP may, in certain cases, give rise to certain potential conflicts of interest. BNPP AM USA will use its best efforts to minimize the potential for conflicts of interest arising due to its relationship with BNPP, and/or its banking affiliates, and has policies and procedures in place to ensure that its clients' interests are prioritized.

As a global financial institution, BNPP's business includes brokerage and capital market activities both domestically and in foreign jurisdictions. As such it carries out routine broker dealer and investment banking functions in compliance with local laws and regulations. Notwithstanding, BNPP AM USA does not act as broker or principal in the purchase of securities for transactions with its clients.

Subject to applicable rules and regulations, BNPP AM USA and its affiliates, under common control by BNPP, may invest their capital for their own account in co-mingled investment vehicles for which BNPP AM USA provides investment management services. In such cases, BNPP AM USA and its affiliates maintain policies and procedures designed to prevent conflicts of interest



harmful to its clients, but also to ensure compliance with applicable banking and securities regulation.

*Other Conflicts of Interest.* As discussed in the section entitled “*Performance Based Fees and Side-by-Side Management*” above, BNPP AM USA may recommend that certain clients invest in co-mingled vehicles for which it acts as investment adviser or sub-adviser or for which another BNPP AM company acts as investment adviser or sub-adviser. Recommendations to these clients to use these affiliated commingled vehicles are made solely to enhance overall investment returns, to improve investment offerings, and to allow clients to participate in certain investment opportunities that would otherwise not be available or economic on a separate account basis. BNPP AM USA places assets of its clients in such vehicles only if the client authorizes such use and receives the offering documents for those investments. Fees charged by BNPP AM USA are specified in a client’s investment management agreement.

As referenced in the Firm’s Form ADV Part 1, the Firm manages a private fund. This private fund is structured for the benefit of one third-party client and their affiliates. The fund is not offered to other third-parties, is managed according to its stated investment guidelines, and is treated similar to any other separate mandate.

BNPP AM USA and its respective officers and employees act and continue to act as investment advisers and managers for multiple clients, and may choose to act as investors on their own behalf, notwithstanding that BNPP AM USA has directly or indirectly material interests or relationships which may involve conflicts or potential conflicts with BNPP AM USA’s duty to its clients.

BNPP AM USA’s employees may be asked to serve as directors, advisers, or in other forms of participation in other companies or organizations, some of which may be affiliates of BNPP AM USA under common control by BNPP. Since such commitments can involve substantial responsibilities and potential conflicts of interest or the appearance of such conflicts, prior approval from Compliance must be sought before accepting such a position.

BNPP AM USA is required to treat its clients fairly in relation to such conflicts of interest or material interests as described above. BNPP AM USA proposes to do this by ensuring that it has adequate policies and procedures to protect its client interests and by drawing its clients’ attention to the possibility of such conflicts. Such policies and procedures include, but are not limited to BNPP AM USA’s Code of Ethics, personal trading policies, trade aggregation and allocation policies, policies governing outside business activities and gifts and entertainment, as well as informational barriers policy.

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

The Firm has adopted a Code of Ethics (the “Code”). BNPP AM USA mandates high standards of business conduct and professionalism and establishes rules of conduct for its employees by setting forth policies and procedures regarding business ethics, confidentiality and personal account dealing. The Code also describes policies and procedures for personal securities transactions,

managing conflicts of interests, political activity, outside business activities, private investments, insider information, and gifts and entertainment and contributions.

Regarding personal securities transactions, BNPP AM USA prohibits its officers, directors and employees from trading, either personally or on behalf of others, while in possession of material non-public information regarding a security or communicating material non-public information to others. Further procedures within the Code state that access persons:

- may not purchase or sell certain covered securities unless the access person obtains advance clearance of such transaction from Compliance. Covered securities include certain: equity securities, debt securities, futures, options and investment contracts; as well as non-money market affiliated funds and exclude government securities, non-affiliated mutual funds, exchange traded funds, and certain short-term debt instruments.
- may not purchase and sell the same covered security within 30 calendar days.
- may not purchase or sell covered securities if, at the time of the transaction, a potential conflict of interest exists between the access person's transaction and the Firm or its clients.
- may purchase new equity issues on the initial public offering only with prior written approval from the Compliance Department. Employees may acquire an interest in a private placement only with prior written approval. The approval is based, in part, on whether the investment opportunity should be reserved for client accounts.
- may, under unusual circumstances, apply for an exception from a trading restriction, which application may be granted or denied.
- are required to allow for transaction confirmation information to be provided to the Compliance Department by each broker. They are also required to report or confirm to the Compliance Department all personal securities holdings on an annual basis and to confirm quarterly that all covered personal securities transactions have been reported.
- are made aware that violations of the Code could result in them receiving various sanctions including termination.

The Compliance Department utilizes software to automate much of the implementation and monitoring processes of the Code. Such automated systems provide for the submission of online pre-approval trading requests by employees that follow a workflow to appropriate supervisors and compliance personnel. Rule sets have been built into the systems which administer the processes of the Code. Such systems allow compliance officers to monitor employees' trading and other activity through automated surveillance functions.

The Global Loans Group which is responsible for managing senior secured loans, may, in the course of its investment research, receive information including private information regarding the

issuers of this debt. Physical and informational barriers have been established between the Global Loans Group and other investment professionals. Additionally, a restricted list is maintained. Employees are prohibited from personally trading in such restricted securities.

BNPP AM USA will provide a copy of its Code of Ethics to any client or prospective client upon request.

As described above, upon prior approval, BNPP AM USA's employees may buy and sell securities for themselves that are also recommended to clients. In such instances, transactions may not be in amounts that will have a material effect upon the price or trading volume of a particular security and are always subject to the prohibition from trading on nonpublic information. Employees may not buy or sell securities for their own personal accounts where their decision is substantially derived, in whole or in part, by reason of their association with BNPP AM USA unless the information is also available to the investing public on reasonable inquiry.

BNPP AM USA is subject to conflicts of interest when making investment decisions for clients and such conflicts can affect its objectivity. There may be a financial interest to recommend products or services offered by other companies that are under common control. By conducting business with companies affiliated with us, we are able to increase the overall profitability for the parent company. For information on affiliates of BNPP AM USA under common control by BNPP and a description of the conflicts of interest see section entitled “*Other Financial Industry Activities and Affiliations.*”

## **Brokerage Practices**

### **FIXED INCOME**

*Soft Dollars.* As a matter of policy, the Firm prohibits soft dollar arrangements for fixed income accounts. Outside of routinely available research, the Firm bears the cost of fixed income research it receives and does not direct any fixed income trading activity in lieu of payment for research, research-related products or other resources or services obtained from broker-dealers or other third parties on a soft dollar commission basis. BNPP AM USA's portfolio managers are charged with the responsibility of monitoring the economic research of outside firms. Included among these firms are counterparties with whom BNPP AM USA regularly transacts securities business. Also included are independent research and consulting firms from whom BNPP AM purchases economic research.

*OTC Counterparty Selection.* OTC counterparty selection is coordinated with the Global Counterparty Committee. The Global Counterparty Committee maintains a list of approved OTC counterparties that the investment professionals may utilize. Should a client request the use of a particular OTC counterparty not on the Global Counterparty list, it may be used, subject to approval from the local Regional Broker/Counterparty Committee and with appropriate notification/approval to/by the Global Counterparty Committee. The Global Counterparty Committee may also delegate the selection of certain counterparties to the Regional Broker/Counterparty Committee. Brokers with whom the Firm executes DVP trades are first approved by a local Regional Broker/Counterparty Committee which completes an approval form and submits to the Sell Side Operations (“SSO”) team of the BNPP AM's Global Trading Function (“GTF”) for further approval. Particular focus is given to the creditworthiness, operational

efficiency, execution capabilities and relationship value of the counterparty. The Regional Broker/Counterparty Committee is comprised of representatives from Compliance, Legal, Risk Investment Monitoring & Controls, Investment Risk, Investments and Operations.

## EQUITIES

*Use of Soft Dollars to Obtain Research.* In the case where more than one broker/dealer is capable of providing the best combination of price and execution with respect to a portfolio transaction, the Firm may select a broker/dealer that furnishes research services. Research may include:

- Furnishing advice concerning the value of securities, the advisability of investing in, buying or selling securities and the availability of securities, purchasers and sellers in the marketplace.
- Furnishing information, reports, analysis and seminars about issuers, industries, securities, trading markets, legislative and political developments, economic factors and trends, portfolio strategy, access to research analysts, corporate management personnel, industry experts and economists, comparative performance evaluation, technical measurement services, quotation services and other products and services including third party publications, reports and analysis, computer and electronic access, information and accessories that deliver, process or otherwise utilize information including the research described above. All of these products and services assist the Firm in carrying out its investment decision-making responsibilities.

When the Firm uses client brokerage commissions to obtain research, the Firm receives a benefit because it does not have to produce or pay for the research. The Firm has an incentive to select or recommend a broker-dealer based on our interest in receiving the research, rather than on the client's interest in receiving most favorable execution. If the Firm determines in good faith that the commission charged by a broker/dealer is reasonable in relation to the value of research and brokerage services provided by such broker/dealer, the Firm may cause a client to pay commissions higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up). These higher commissions would be within a competitive range for full service broker/dealers. The Firm uses soft dollar benefits to service all client accounts, including those accounts that do not generate the soft dollars.

An adviser that obtains mixed-use products or services i.e., products that have both a research and non-research function, must reasonably allocate the cost of the product or service according to its actual use. The percentage of the mixed-use product or service that provides assistance to the adviser's investment decision-making processes may be paid for with soft dollars, while the portion that provides administrative or other non-research assistance must be paid for by the adviser using hard dollars i.e., cash.

An investment adviser must keep adequate records demonstrating the good faith cost allocation of the mixed-use products or services and must reevaluate the continuing appropriateness of the allocation from time to time. The Firm does not utilize mixed-use products and services. Any additions of such products or services would require approval from both the BNPP AM USA

Compliance team for compliance with US regulations, and by the Global Trading function's Sell Side Operations team for approval.

Recent examples of proprietary research reports that were paid with soft dollars include:

- Bank of America - Fundamental Equity Research
- Cowen and Company – Fundamental Equity Research
- JP Morgan - Fundamental Equity Research
- Morgan Stanley - Fundamental Equity Research
- Stifel – Fundamental Equity Research
- Jefferies - Fundamental Equity Research
- Gerson Lehrman Group (Expert Network Consultation Services)

Data services used by the Firm are paid with hard dollars, including Bloomberg L.P., Factset Research Systems Inc., FTSE, and MSCI.

Commission Sharing Arrangements. The Firm may, as permitted by applicable law, use commissions to obtain research provided by broker-dealers but produced by third parties, through commission sharing arrangements / Research Charge Commission Agreements. Thereby, client transactions may be directed to a particular broker-dealer in return for soft dollar benefits that the Firm receives. In such arrangements, the Firm enters into an agreement with broker-dealers so that certain commissions from transactions placed by the Firm at that broker-dealer are pooled by the broker-dealer in order to compensate one or more third-party research providers, which research providers may or may not be a broker-dealer. Research which provides lawful and appropriate assistance to the Firm's investment decision-making process may be paid for with commissions generated by client accounts to the extent such research was used in that process. The Firm would allocate the cost of the research on a basis which it deemed reasonable according to the various uses of the research, and would maintain records documenting the allocation process followed.

Allocation of Initial Public Offerings. In the event that the Firm participates in any initial public offerings and other securities with limited availability (collectively, "IPOs"), the Firm allocates IPOs among client accounts in a fair and equitable manner over time, taking into consideration factors such as account type, client account objectives and preference, investment restrictions, account sizes, cash availability, and current specific needs. The Firm generally allocates IPOs on a pro-rata basis (based on order size) subject to de minimis amounts after the Firm has received its shares of the IPO.

Where the actual allocation of an IPO is significantly lower than that requested, using the original intended pro-rata allocation proportions may result in allocations to portfolios that are not meaningful. In those situations, the Firm may allocate the securities received to significantly fewer portfolios than originally intended and using other allocation processes designed to allocate IPOs in a fair and equitable manner over time, such as a client list rotation process.

## FIXED INCOME and EQUITIES

In placing orders and selecting brokers and dealers to execute securities transactions on behalf of clients, the Firm seeks prompt execution of orders at the most favorable prices readily attainable. In selecting brokers and dealers, the Firm considers a number of factors, including, but not limited to the following:

### Best Execution

The Firm has a fiduciary obligation to its clients to seek to obtain best execution for securities transactions placed on its clients' behalf. Among the specific obligations the SEC has indicated that flow from an adviser's fiduciary duty is a duty to obtain best execution for clients' securities transactions.

To fulfill the obligation to seek best execution when transacting for client portfolios, the Firm adopted a policy to execute securities transactions for its clients in such a manner that the clients' total cost or proceeds in transactions is the most favorable under the totality of the circumstances. In determining what constitutes "best execution," the Firm looks not just for the lowest possible commission cost or dealer spread, but whether the transaction represents the best qualitative execution based on the factors described below. In addition, the characteristics of the order will also be considered, i.e., the type of client order, the type of financial instrument and the execution venues to which the order can be directed.

"Best Execution" is generally understood to mean the most favorable cost or net proceeds reasonably obtainable under the totality of circumstances. Investment professionals (portfolio managers and/or traders, as the case may be) may utilize various sources which provide a transparent view of market prices in support of the price discovery process.

The full range of brokerage services applicable in a particular transaction may be considered when making this judgment, which may include, but is not limited to the:

- ability of the broker/dealer to minimize costs associated with implementing investment decisions;
- adequacy of the broker/dealers capital in relation to other broker/dealers;
- communication links between the broker/dealer and the Firm;
- adequacy of the information provided to the Firm by the broker/dealer;
- accommodation of special needs by the broker/dealer;
- broker/dealer commission rates;
- the availability, as well as the quality and suitability, of electronic trading platforms and algorithms;
- administrative ability;
- provision of information on a particular security or market in which the transaction is to occur;
- reliability and accuracy of communications and settlement processing;
- responsiveness of the broker/dealer;
- financial strength, reputation and stability of the broker/dealer;
- ability of the broker/dealer to handle large transactions;

- knowledge of other buyers and sellers;
- ability of the broker/dealer to handle difficult orders; and
- efficiency of the broker/dealer in executing past transactions.

The specific criteria will vary depending upon the nature of the transaction, the market in which it is executed, and the extent to which it is possible to select from among multiple broker-dealers.

The Firm is not obligated to choose the broker-dealer offering the lowest available commission rate if, in the Firm's reasonable judgment, there is a material risk that the total cost or proceeds from the transaction might be less favorable than may be obtained elsewhere, or, if a higher commission is justified by the trading provided by the broker-dealer, or if other considerations, such as those set forth above dictate utilizing a different broker-dealer.

Regardless of asset class, the Firm relies on four policies to promote favorable execution practices to help reasonably ensure that the Firm's trade execution practices keep transaction costs to a minimum and that best execution practices are strictly adhered to:

- a) Identifying and minimizing any potential conflicts of interest  
The Firm has incorporated rules governing the acceptance of entertainment or other gifts from broker/dealers that could influence execution practices.
- b) Measuring direct and indirect trading costs  
It is the Firm's policy to attempt to minimize not only the direct effect of bid/offer spreads and, where applicable, commissions, on portfolio performance, but also the indirect effect of such factors as market impact and trade settlement costs.
- c) Utilization of available market pricing information to determine competitive prices  
The Firm transacts in on and off exchange derivatives, foreign currency, fixed income markets and equities, predominately in the liquid portion of these markets. However, some asset classes and securities can be illiquid. Many of the markets in which the firm is active offer live pricing and transaction information. Examples of these include electronic trading platforms and inter-dealer broker screens. Investment professionals are encouraged to utilize all available information in support of the price discovery process. If there is uncertainty as to which dealer may be able to offer the most competitive price, trades may be "shown" to a subset of dealers selected from among those who are active in the security to be traded and who can reasonably be expected to quote the most competitive bid or offer among all available counterparties, so long as doing so does not disadvantage the transaction.
- d) Negotiating favorable commission rates in exchange-traded instruments  
The Firm has been able to use its experience in markets and relationships with broker/dealers to help negotiate favorable commissions on exchange-traded instruments.

Counterparty selection is coordinated with the Global BNPP AM Counterparty Committee ("GCC"). The GCC maintains a list of approved counterparties that the investment professionals may utilize. Should a client or the Firm request the use of a particular counterparty not on the GCC list, it may be used, subject to approval from the local Regional Broker/Counterparty

Committee and with appropriate notification/approval to/by the GCC. Particular focus is given to the creditworthiness, operational efficiency, execution capabilities and relationship value of the counterparty. The Regional Broker/Counterparty Committee is comprised of representatives from Compliance, Legal, Risk Investment Monitoring & Controls, Investment Risk, Investments and Operations.

### Types of Affiliated Transactions

As a matter of policy, the Firm does not generally engage in principal transactions, transactions with affiliates, cross trading or agency cross transactions. However, exceptions to the general prohibition are described below.

**Principal transactions:** There can be instances when a client mandate's investment guidelines authorize the Firm to invest in affiliated funds and/or pooled investment vehicles ("pools"). If such investments are made on behalf of a client portfolio, the Firm will ensure that if any BNPP ownership in that fund/pool exceeds 25% at the time of the transaction. If BNPP ownership in the fund/pool does exceed 25%, as a fiduciary and in compliance with Rule 206(3) of the Advisers Act, BNPP AM USA will 1) disclose its principal capacity in writing to the client, and 2) obtain the client's consent before the settlement of the transaction. Such clients will have also received the conflicts of interest associated with such transactions as outlined in Section "Other Financial Industry Activities and Affiliations" of this Form ADV Part 2A.

**Transactions with affiliates:** Similar to principal transactions, there can also be instances when a client mandate's investment guidelines authorize the Firm to utilize an affiliate as an executing or clearing broker (an affiliated agency transaction). The default setting established in the Firm's order management system is to prevent an affiliate from executing a trade on behalf of a BNPP AM USA client portfolio. However, if a client authorizes the Firm to utilize an affiliate in such capacity within their investment management agreement (IMA), or other governing documents, during the on-boarding process (or separately in writing per an IMA amendment or otherwise) and it is approved by Compliance during the on-boarding process (or separately during the IMA amendment or otherwise), such affiliate may be used as allowable by law.

Prior to purchasing newly issued securities in which BNPP participates as a member of the offering syndicate, BNPP AM USA informs its clients in their investment management agreements of its affiliation with BNPP and seeks to ensure that:

- i) such transactions are effected on normal commercial terms;
- ii) BNPP AM USA has determined the transactions are in the best interests of the client; and
- iii) BNPP AM USA purchases the securities from a syndicate member other than BNPP.

BNPP AM USA acknowledges that, although transactions shall not be executed through BNPP, in the normal course BNPP may receive remuneration as a manager of the syndicate. Any exceptions to this policy must be authorized in writing by BNPP AM USA's clients.



Trade Aggregation and Trade Allocation. As an adviser and a fiduciary to our clients, the Firm places its clients' interests first and foremost. Consistent with this fiduciary duty, the Firm's trading procedures seek to reasonably ensure that all clients are treated fairly and equitably and that no client account is advantaged or disadvantaged over another. In furtherance of this policy, generally, the Firm purchases and sells investments as a block transaction. The aggregation of client transactions enables the Firm to execute transactions in a more timely, equitable, and efficient manner and seeks to reduce overall execution costs to its clients. In addition, it is the Firm's policy to allocate transactions fairly and equitably across all participating accounts.

In allocating the securities, the principles employed are 1) allocation of each investment decision to each individual account shall be broadly determined with respect to the investment guidelines and investment policy applying to each individual account; 2) dealing for different clients in the same security and at the same time shall be aggregated and traded as a block to the extent possible; and 3) each aggregate allocation shall be allocated at the unit price paid to all participating accounts. Aggregated transactions are allocated fairly and equitably among eligible clients using an automated non-preferential trade execution system that allocates the trades according to each participating portfolio's size and risk profile. The automated allocation system provides that no client account is favored with respect to the selection of investments or timing of purchase or sale of investments over another account.

Directed Brokerage. Generally, the Firm is retained on a discretionary basis and is authorized to determine the amount and type of securities to buy and sell and to direct execution of portfolio transactions without consultation of the client on a transaction-by-transaction basis. The Firm prefers to select the broker/dealers that will execute portfolio transactions and, in most cases, the client leaves that selection to the Firm.

On occasion, a client may direct the use of a particular broker/dealer to execute portfolio transactions. When a client requests or instructs the Firm to participate in their client-directed brokerage programs, the Firm will treat the client direction as a decision by the client to retain, to the extent of the direction, the discretion that BNPP AM USA otherwise would have in selecting broker-dealers. The Firm may, and generally will, trade directed trades after the completion of other fully discretionary clients' trades. In these cases, the Firm is not obligated to, and will generally not solicit competitive bids for each transaction or seek the lowest commission rates for the client as the commission rates have typically been pre-negotiated between the client and the broker and the Firm is unable to supersede the terms of that agreement. As such, the client may pay higher commission costs (where applicable), higher prices and transaction costs than it otherwise would have had it not directed BNPP AM USA to trade through a specific broker.

Directing brokerage to a particular broker/dealer has the potential to cause certain disadvantages to directed brokerage clients including:

- Impairing the Firm's ability to negotiate commission rates and other terms on behalf of directed brokerage clients;
- Denying to directed brokerage clients the benefit of the Firm's experience in selecting broker/dealers who are able to execute difficult trades efficiently;

- Limiting directed brokerage clients' opportunities to obtain more favorable prices and lower transaction costs by aggregating their orders with those of other clients;
- Receiving less favorable prices on securities transactions to the extent that the Firm must place transaction orders for directed brokerage clients after placing aggregated transaction orders for other clients.

Accordingly, clients directing commissions may not generate returns equal to clients that do not direct commissions such that such client accounts may experience performance and other differences from other similarly managed accounts.

Clients who direct brokerage should understand that similar brokerage services may be obtained from other broker-dealers at lower costs and possibly with more favorable execution. Therefore, in response to a client's request for our opinion on directed brokerage or to comply with the client's directed brokerage request, it is the Firm's policy to advise the client in writing of the potential impact on the Firm's ability to seek best execution on transactions for that client

*Balancing the Interests of Multiple Client Accounts.* The Firm may manage multiple accounts with similar investment strategies or may manage accounts with different objectives or strategies that may trade in the same securities. Despite the similarities and/or differences, the Firm's portfolio decisions about each client's investments and the performance resulting from those decisions may differ from those of other clients.

The Firm will not necessarily purchase or sell the same securities for client accounts at the same time or in the same proportionate amounts for all eligible clients. When the Firm purchases illiquid securities or oversubscribed offerings, it may not be feasible to allocate a pro rata share to all eligible clients. Therefore, not all clients will necessarily participate in the same investment opportunities or participate on the same basis.

## **Review of Accounts**

BNPP AM USA assigns a portfolio manager with supervisory responsibility for each client portfolio. The selection and trading of positions are generated by the specialist portfolio managers and for each account these ideas and positions are implemented by a portfolio manager who monitors account objectives and guidelines, as well as communicating with each client on a continuous basis.

Risk Investment Monitoring & Controls personnel provide an independent check of compliance with their respective investment guidelines.

Client portfolio and transaction records are maintained using computerized accounting systems. Information on all trades is provided to clients upon request. For separate mandates, BNPP AM USA provides clients with a review of account holdings and/or performance results on a quarterly basis, although other schedules may be arranged.

Standard reports may cover the following:

- i) investment returns for the portfolio and its performance benchmark for up to ten years or since inception, whichever is shorter;
- ii) a summary of market developments, portfolio activity and current investment strategy;
- iii) a listing of portfolio assets; and
- iv) a compilation of all transactions.

## **Client Referrals and Other Compensation**

From time to time, BNPP AM USA may enter into arrangements with individuals and organizations pursuant to which each has agreed to introduce BNPP AM USA to certain U.S. and non-U.S. clients who may be interested in BNPP AM USA's investment management services. These individuals and organizations are employed as consultants and advisers to BNPP AM USA in connection with the marketing of BNPP AM USA's investment management services. Compensation may vary for each consultant. In such cases, pursuant to Rule 206 (4)-1 of the SEC Rules under the Investment Advisors Act of 1940, where cash payments are made for solicitation, BNPP AM USA would implement a written agreement binding the solicitor to comply with the 1940 Act and Rules governing such arrangements.

BNPP AM USA has an agreement with its affiliate, BNP Paribas Securities Corp. ("BNPP SEC CORP") whereby BNPP AM USA agrees to pay BNPP SEC CORP a solicitation fee for introducing certain clients to BNPP AM USA for investment advisory and portfolio management services. The solicitation fee paid to BNPP SEC CORP will be based directly on the fees BNPP AM USA receives from such investment advisory and portfolio management services attributable to BNPP AM SEC CORP's efforts.

BNPP AM USA may pay third parties to coordinate investment events for institutional investors (which include executives from pension funds, endowments, public funds, foundations, etc.). BNPP AM USA personnel may also participate as panelists or pay to sponsor industry conferences where BNPP AM USA products may be offered to potential clients. BNPP AM USA may pay either a sponsorship fee or an attendance fee in order to participate at these conferences. The purpose and content of these conferences varies; some focus on new products, marketing techniques; some discuss the regulatory aspects of the advisory business, and some focus on new strategies. Typical attendees are sponsors, advisers, consultants, service providers (such as IT vendors, lawyers, and compliance consultants) and potential clients.

## **Custody**

Custody is defined as any legal or actual ability by BNPP AM USA to access client funds or securities. Since all client funds and securities are maintained with a qualified custodian, BNPP AM USA does not take physical possession nor does it have the authority to take possession of client assets. However, under the current SEC rules, BNPP AM USA is deemed to have custody of certain client assets solely by virtue of the fact that the qualified custodian is a member of the larger BNPP group. We urge all of our clients to carefully review and compare their quarterly reviews of account holdings and/or performance results received from us to those they receive from their custodian. Should you notice any discrepancies, please notify us and/or your custodian as soon as possible.

BNPP AM USA has implemented policies and procedures to govern those instances where the custodian of a client is a related person of BNPP AM USA (i.e. a person directly or indirectly controlling or controlled by BNPP AM USA or a person under common control with BNPP AM USA). In accordance with those policies and procedures, BNPP AM USA maintains a copy of the internal control report (ISAE 3402 audit or equivalent document) of the related person and prepares an internal memorandum to evidence that the related person is operationally independent of BNPP AM USA. The related person is operationally independent of BNPP AM USA if the following four criteria are satisfied and no other circumstances can reasonably be expected to compromise the operational independence of the related person:

- i) client assets in the custody of the related person may not be subject to the claims of BNPP AM USA's creditors;
- ii) BNPP AM USA's personnel may not have custody, possession, or access to client assets, or the power to dispose of client assets to third parties for the benefit of BNPP AM USA or the related person, or otherwise have the opportunity to misappropriate client assets;
- iii) BNPP AM USA's personnel and personnel of the related person who have access to advisory client assets are not under common supervision; and
- iv) BNPP AM USA's personnel may not hold any position with the related person or share premises with the related person.

## **Investment Discretion**

BNPP AM USA typically manages client accounts on a discretionary basis, subject to the restrictions that have been provided by clients. These investment guidelines are established with each of BNPP AM USA's clients, stipulating various limits governing the management of each portfolio, including eligible securities and maximum commitments. All investment guidelines and restrictions for separately managed accounts must be provided in writing. Within the guidelines, BNPP AM USA may execute trades without further authority. Trades are executed with those dealers or other financial institutions which, in BNPP AM USA's judgment, offer the most favorable terms for its clients. Fixed-income securities are traded predominantly with dealers at net prices without commissions. When BNPP AM USA utilizes brokerage services, such as for exchange-traded futures contracts, the reasonableness of the commission paid to brokers is evaluated on basis of the amount of commissions in relation to the execution services rendered. Clients of BNPP AM USA may specify a subset of dealers or financial intermediaries in its guidelines which may be utilized for its portfolio, or similarly provide a minimum credit rating to which BNPP AM USA must adhere in selecting a dealer or financial intermediary.

## **Voting Client Securities**

BNPP AM USA will exercise discretionary voting authority over proxies issued on securities held in client accounts unless voting authority has been reserved explicitly by the client or assigned to another party by the governing account documents. BNPP AM USA's Governance and Voting Guidelines govern its proxy voting activities. This includes the operation of a global Stewardship Committee that oversees its global proxy voting activities and the activities of the central proxy voting team who monitors proxies for BNPP Paribas Asset Management globally.

The Proxy Voting team has hired Institutional Shareholder Services (“ISS”) as its proxy voting provider. ISS tracks and receives proxies for which clients are entitled to vote. The team has provided ISS with its Governance and Voting Principles. While the proxy voting provider is used to assist the Central Proxy Voting team, this team will take each voting decision for every general meeting internally with no outsourcing to serve its clients’ best interests. Voting decisions are based on the principles outlined in the Governance and Voting Policy.

The Group and the Firm serve different clients, whose interests may often be in conflict. The Group has therefore instituted policies to ensure that BNP Paribas Asset Management exercises its voting responsibilities independently, because the Firm is regularly called upon to vote proxies issued by clients of the Group. Nevertheless, there may be instances where the Firm or its personnel are subject to conflicts of interest in the voting of proxies. Employees must notify the Chief Compliance Officer if they are aware of any potential conflict of interest associated with a proxy vote. Conflicts of interest may exist, for example, due to personal or familial relationships of personnel or when the Firm or an affiliate has a business relationship with, or is soliciting business from, the issuing company (or an employee group of a company) or a third party that is a proponent of a particular outcome on a proxy issue. In cases where it believes there may be an actual or perceived conflict of interest, additional review and steps may be taken, including Stewardship Committee review or approval, in conjunction with BNP Paribas Asset Management’s Global Head of Compliance, deferring to the voting recommendation of a third party, such as ISS, voting pursuant to client direction (following disclosure of the conflict), abstaining from voting, or taking such other action as necessary to protect the interests of clients. Regardless of the review process, the Compliance team will be notified and involved in any conflicts identified by a portfolio manager or the central proxy voting team through its participation in the Stewardship Committee.

In many non-U.S. markets, shareholders may be prevented from selling shares within a certain period of time prior to the meeting date (commonly referred to as share blocking). In such cases the Firm compares the benefits to its clients expected to be derived from the voting of blocked shares versus the ability to sell the blocked shares and as a result may choose not to vote the shares.

BNP Paribas Asset Management does not vote 100% of its holdings, in order to reduce costs to clients and ensure a qualitative focus on proxy voting. The voting scope is made up of companies for which aggregated positions meet one of the following three (3) conditions:

- Represents 90% of the BNPP AM USA’s aggregated stock positions;
- Represents 0.1% or more of the company’s market capitalization; or
- Ad-hoc demand or local market regulations are met.

These factors ensure that BNPP AM USA concentrates its efforts on positions held in a wide proportion of its assets under management and participates efficiently and effectively at shareholder meetings of companies in which the Firm’s collective investment schemes hold a significant proportion of the capital.

BNPP AM USA may also choose not to vote non-US proxies when local markets impose meaningful costs for casting the vote (e.g., if a power of attorney is needed per the annual general

meeting or per fund, or if the custodian does not offer proxy voting services in the country, etc.). Additionally, where clients have implemented securities lending programs, the BNPP AM USA will be unable to vote proxies for securities on loan unless it issues instructions to the client custodian to retrieve the securities prior to record date. The BNPP AM USA may choose to refrain from calling back such securities when the voting of the proxy is not deemed to be material or the benefits of voting do not outweigh the cost of terminating the particular lending arrangement.

Although BNPP AM USA generally votes consistently on the same issue when securities are held in multiple client accounts, certain circumstances may cause the BNPP AM USA to vote differently for different client accounts. Typically, clients do not direct the Firm to vote for a particular solicitation as they authorize the Firm to vote on their behalf within their investment management agreement.

The Firm manages fixed income portfolios which are mainly invested in sovereign, agency or high quality corporate debt. These securities do not typically convey voting rights to the holder and the occurrence of corporate governance notices for these types of investments is considerably less than that encountered for equity investments. The Firm's policy is to act upon any corporate governance notices received in accordance with any specific client instructions that may be in place. Notwithstanding this policy, where the Firm acts as a proxy on behalf of its clients in responding to such notices, its policy is to exercise the proxy vote in the best interests of the client taking into consideration all relevant factors.

Clients may obtain information on how the Firm has voted its proxies, including corporate actions, and/or a copy of the Firm's complete proxy voting policies and procedures by contacting the Firm's Compliance Department.

## **Financial Information**

BNPP AM USA has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.