

BNP PARIBAS ASSET MANAGEMENT UK Limited  
Part 2A of Form ADV  
The Brochure

5 Aldermanbury Square  
London EC2V 7BP  
United Kingdom  
<https://www.bnpparibas-am.co.uk>

11<sup>th</sup> August 2023

This brochure provides information about the qualifications and business practices of BNP PARIBAS ASSET MANAGEMENT UK Limited (“BNPP AM UK”). If you have any questions about the contents of this brochure, please contact us at +44 20 7063 7265. 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 UK 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**

Advisory Business .....	4
Fees and Compensation .....	5
Performance Based Fees and Side-by-Side Management .....	5
Types of Clients .....	6
Methods of Analysis, Investment Strategies and Risk of Loss .....	6
Disciplinary Information .....	19
Other Financial Industry Activities and Affiliations .....	21
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	24
Brokerage Practices .....	25
Review of Accounts .....	27
Client Referrals and Other Compensation .....	28
Custody .....	28
Investment Discretion .....	28
Voting Client Securities .....	29
Financial Information .....	30

## Advisory Business

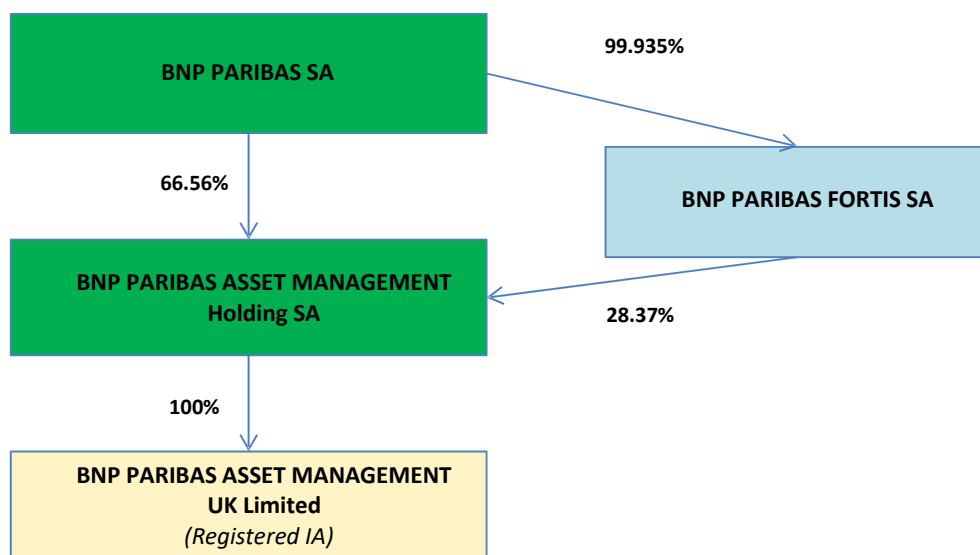
BNP PARIBAS ASSET MANAGEMENT UK Limited (“BNPP AM UK” or the “Firm”) is the main UK entity of BNP PARIBAS ASSET MANAGEMENT (“BNPP AM”), the asset management business line of BNP Paribas Group. As at 31 December 2022, BNPP AM UK had approximately \$ 47.77 billion of assets under management, with no non-discretionary assets. The asset management business line comprises several specialist companies, each with a distinct investment philosophy and business scope.

BNPP AM UK operates as the hub in the UK asset management structure and has three main focus areas:

- Providing multi-expertise in investment management capability
- Providing a global sales and sales support function for the asset management business line
- Providing a central services support platform for the other asset management companies.

BNPP AM UK is a 100%-owned subsidiary of BNP PARIBAS ASSET MANAGEMENT Holding SA (“BNPP AMH”). Its various activities are fully integrated in the overall functional organisation of the business line. Thus, its fund management teams operate as part of the global fund management structure, while its sales and marketing teams are responsible for promoting and distributing the entire range of products on offer within the BNP Paribas Asset Management business line globally to their respective client base.

As illustrated in the organisational chart below, BNPP AM UK is wholly owned by BNP PARIBAS ASSET MANAGEMENT Holding SA, which is owned by, among others, BNP Paribas SA (“BNPP”) with a 66.56% interest and BNP Paribas Fortis SA (“BNPP Fortis”) with a 28.37% interest. BNPP owns 99.935% of BNPP Fortis.



BNPP is a publicly owned bank organised in France engaged in global financial activities. BNPP AM UK is part of BNPP's asset management business, within BNPP's Investment & Protection Services division. BNPP AM is one of the major players in the investment management industry with assets under management totalling US \$536 billion (as at 31 December 2022), comprised of about 3,000 employees in more than 30 countries (including joint ventures).

## **Fees and Compensation**

BNPP AM UK manages portfolios of equity, balanced and fixed-income and private credit securities for institutional and wholesale clients including Defined Benefit and Defined Contribution pension funds, corporations, universities, foundations, foreign institutions and Central Banks. Where permitted by our clients, in connection with the management of portfolios we also manage exposure to foreign currencies.

Our standard fees may be negotiated in connection with certain mandates and/or modified for portfolios that have special investment constraints or unusual reporting, clearance, or other administrative requirements or unique characteristics. BNPP AM UK may impose a minimum fee for starting or maintaining an account.

Certain clients may have a portion of their separate account assets invested in commingled vehicles for which BNPP AM UK may be an adviser or sub-adviser.

Fees are generally payable monthly and 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 UK'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 UK's fees and BNPP AM UK 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 UK considers in selecting and recommending broker-dealers for client transactions and determining the reasonableness of their compensation.

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 BNPP AM UK.

It should be noted that 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 favour of, the account that pays a performance fee. BNPP AM UK 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 UK'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 mentioned 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 UK may be an 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 UK places assets of its clients in such vehicles only if the client authorises such use and receives the offering documents for those investments. Fees charged by BNPP AM UK are specified in a client’s investment management agreement.

## **Types of Clients**

BNPP AM UK may provide customised investment management services to institutional clients, wholesale clients and collective investment schemes, including but not limited to, pension funds, banks, platforms, insurance companies, official institutions, Luxembourg-domiciled SICAVs of an affiliate and other corporations or professional investors.

As 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 UK reserves the right to review each prospective client as to investment profile.

Minimum account sizes for investment management are negotiated on a case by case basis.

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

### **MULTI ASSET**

#### **Asset Allocation Research & Decision-Making Process**

##### **Introduction**

The Multi Asset (MA) team is the firm’s specialist to manage multi-asset portfolios. Our Multi Asset investment philosophy and process are grounded in our “quantamental” investment culture where both in-depth fundamental analysis and sophisticated quantitative modelling drive our research, decision making, portfolio construction and risk management.

##### **Fundamental research is at the core of our research process & is supported by a range of quantitative techniques and tools, which**

- Help us identify investment opportunities and implement investment decisions without biases, optimizing the sizing of investment positions in line with conviction levels and risks;
- Allow us analyse new large sets of data and provide portfolio managers with additional and customised insights (e.g. factors, models).

##### **This fundamental focus also helps us refine the quantitative models we leverage upon.**

- Portfolio managers constantly use their judgement to identify potential regime changes and new opportunities across asset classes;

- Our long-term experience allows us to take a step back and reflect on our quantitative signals when necessary.

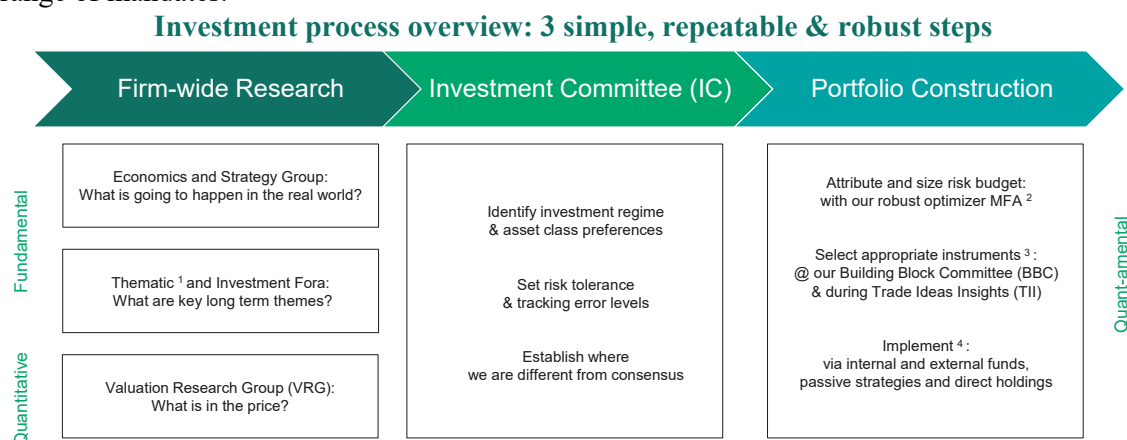
While judgmental analysis drives our quantamental process, we leverage upon an extensive set of quantitative inputs and tools. We benefit from the support of BNPP AM's dedicated Quantitative Research Group (QRG), to develop and maintain proprietary quantitative models.

The below describes the MA investment process shared by our team to conduct asset allocation research and define investment views. This process applies to all portfolios which incorporate active asset allocation decisions. Whilst the same views apply consistently across all portfolios, the way and the extent to which these are implemented depends on the nature of the product and specific client constraints, e.g. in the case of segregated mandates.

### **Overview: a simple, repeatable & robust 3-step process**

The performance engine for all our investment strategies relies upon a simple, repeatable and robust three-step investment process, fed by complementary fundamental and quantitative Quantamental insights. These three steps are: **(1)** firm-wide research; **(2)** Investment Committee (IC); and **(3)** portfolio construction.

As outlined in the chart that follows, we start by harvesting our collective firm-wide insights, as crucial research inputs for our Investment Committee. This framework allows us to form asset allocation views, which are next implemented in portfolios thanks to our proprietary Multi-Factor Allocation (MFA) model. In a nutshell, by leveraging our leading investors together with cutting edge quantitative capabilities, we seek to generate strong risk-adjusted returns for a wide range of mandates.



*(1) Themes and associated underlying instruments are also debated during dedicated Trade Ideas Insights. (2) MFA stands for Multi Factor Allocation. (3) 80% of selected underlying vehicles are either Article 8 or 9, as per the SFDR classification. (4) Our front-office portfolio management platform is Aladdin.*

### **Step 1: firm-wide research – idea generation**

Our starting point is harvesting our collective insights from investment teams across the firm. Through three key consistent and disciplined research fora, we seek to answer:

- **What is going to happen in the real world?** Through weekly gatherings led by our Research & Strategy (R&S) team, we seek to establish what will shape the world, assessing growth, corporate earnings, and policy for example;

- **What are key long term themes?** During our Thematic and Investment Fora, we discuss, debate and kick the tyres on medium to long term views across the investment floor;
- **What is in the price?** Our monthly Valuation Research Group (VRG) analyses and assesses risk premia on offer across a range of asset classes.

Such framework allows us to deliver points of view and beliefs to the Investment Committee (IC) in a structured manner.

### **Step 2: Investment Committee – view generation**

Research ideas follow the previous described “research cycle” before they reach the Investment Committee (IC), which first mission is to set allocation views. As a starting point, the three key research blocks form crucial inputs for our weekly IC, where we look for disconnects between:

- **What we expect will happen?** based on our macro & thematic works; and
- **What market prices reflect?** based on our VRG approach.

By finding disconnects, we mean:

- We seek to identify our preferences for assets: What investment regime are we in? What assets do we like, and don’t?
- While crucially integrating risk: What is our tolerance for risk or tracking errors across our book of business?

When we find disconnects, we set investment strategy accordingly. As such, the first mission of the IC is to bring a distinct assessment of prospective return to risk.

Once asset allocation risk-adjusted views are confirmed, the second mission of the IC is to transform those decisions into clear and timely messages for all portfolio managers in the Multi Asset team. For each asset class, Investment Committee views are combined and result in a single normalized score per asset class capturing our full view and conviction on the attractiveness of this asset class (-100 if very negative to +100 if very bullish). Views can next be implemented on an industrial scale and with no delay in all portfolios and mandates, even in those with the highest levels of customisation.

The Investment Committee meets on a weekly basis to ratify all active asset allocation views and to discuss and oversee portfolio risks. For this purpose, they receive in-depth risk information from risk management. The Committee also approves the list of allowable implementation tools (“building blocks”) put forward by the team’s monthly Building Block Committee (BBC), and defines the order of preference for specific active asset allocation strategies. The Building Block Committee review an extensive universe of active funds, passive instruments, both in-house and external (based on the advice of our third-party manager selection specialist, FundQuest Advisor).



### **Step 3: portfolio construction – implementation**

Next, portfolio construction & implementation, which encompasses all previously described elements, consist of the following rigorous steps:

- Through the Multi Factor Allocation (MFA) model, we combine the perceived attractiveness per asset class with volatility expectations, correlations and uncertainty. MFA's robust optimization approach enables to allocate risk budgets to each of the asset classes, taking into account simultaneously clients' specific investment objectives and constraints (i.e. benchmark, universe, eligible instruments). MFA allows us to industrialise swiftly our investment views into a multitude of portfolios. End positions can and should look quite different, but the core engine is the same;
- Portfolio managers construct and monitor the client portfolio with instruments which are approved by the Building Block Committee. Instruments can include direct holdings, active and passive investment funds and derivatives. The 'approved list' is a key tool for fund selection. In building the actual client portfolio, portfolio managers may be granted some well-controlled and limited leeway (deviation for the model portfolio) as per the decision of the Head of Multi Asset.
- The Investment Committee monitors weekly the model portfolio risk and performance statistics. This information is used to consider any changes required to the asset allocation view;
- We also have a separate team within the firm, who provide independent checks on portfolios. Pre- and post- trade Investment Compliance checks on client/internal guidelines are monitored and checks of the different guidelines are performed against the portfolio data.

### **EQUITIES**

In addition to being able to access an experienced research staff within BNP PARIBAS ASSET MANAGEMENT, BNPP AM UK obtains ideas from an extensive network including industry contacts, market and securities analysts and its team of investment professionals. BNPP AM UK 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 UK may utilize research materials prepared by affiliates and third parties.

At the portfolio level, BNPP AM UK 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:

## **Environmental Strategies**

The Environmental Strategies team manage environmental thematic strategies across six core environmental themes spanning benchmark-unconstrained strategies as well as benchmark-constrained long only portfolios, alternative UCITS long-short strategies as well as a co-investment program.

The investment philosophy is one of being an active, returns-focussed, risk conscious long term oriented – and short / medium term aware –all-cap, style agnostic, engaged investor with deep links to industries and management teams. The approach applied to bring this philosophy into the investment strategies is ultimately based on being ‘top down / bottom up quantamental’ combining,

- Comprehensive, top down industry / thematic research
- deep fundamental, bottom up company valuation and due diligence
- environmental analysis and ESG integration, engagement and impact reporting
- quantitative modelling for portfolio construction, risk management and alpha generation.

## **Investment Process**

Once a specific theme and sub-industry has been identified, a rigorous fundamental bottom-up analysis is undertaken with complementary quantitative tools for alpha screening. With portfolio construction tied to the outcome of the fundamental analysis, quantitative models for portfolio construction and risk management are applied to achieve an optimal portfolio outcome at all times.

## **Thematic & Industry Research**

The co-heads have been building and developing a sector-thematic classification database that breaks down the entire global environmentally themed investment universe and a database that splits every company’s revenue streams into environmental and non-environmental revenue streams.

The team will also identify themes and sub-industries that may have significant head- or tailwinds from the top down views drawn from the ‘macro & regulatory analysis’. In the absence of significant top down drivers either way, other factors such as ‘hockey sticks’ in technology and/or cost inflection points driving fast adaptation and commercialisation will identify investable themes.

The total addressable market models, TAMs, built by the investment team, leverage a concept known as ‘diffusion of penetration theory’ or S curves’ where the team has conducted research across a range of technological innovations across time and applications to come up with a proprietary environmental S curve that the investment team will use for many of their technology driven thematics. Sub-industries can then be plotted on the S curve according to the stage of penetration the particular industry is in which in turn will provide an estimate for the growth rates the industry will experience over the next decades.

## **ESG & Environmental Analysis**

Using tools maintained by the teams’ quantitative analyst, the prospective environmental solution companies are screened against the various exclusion criterion that the strategy adheres to. Lastly, the company goes through an informal sense-check for sustainability - where the group thinks critically about a company’s business model, its embodied impact, knock-on effects or unintended consequences.

### *Fundamental & Qualitative Analysis*

The team perform rigorous fundamental and quantitative due diligence on each company. Inputs in the internal tool are updated regularly or automatically pulled from internal or external information sources. These sources also include:

- Relevant research from sell side, industry, conversations with management, company presentations, earnings reports, news events, conference notes, technical due diligence and any other research of relevance to the project. This will also include market-based research on shareholder composition, short interest, cross asset indicators, catalysts and a risk assessment for what could adversely affect the investment.
- Company level analysis carried out through company reports, financial statements and corporate interactions which help develop views on product/technology, business model, competitive positioning and understand competitive moats.
- The teams' proprietary models, quantitative tools (primarily for risk management and alpha signalling), macro & industrial indicators, adoption curves and TAMs.

### *Portfolio Construction & Risk Management*

Once the investment case has been approved by both co-portfolio managers, the company is loaded into the team's proprietary quantitative portfolio construction and risk system.

The internal tool connects with each fundamental model where price targets are set where in turn bear, base and bull case price targets, conviction levels and a variety of other data relevant for positioning and ongoing risk management are pushed.

These inputs are aggregated into a dynamic risk/reward ratio which informs the optimal size of each company within the portfolio relative to other positions and NAV. The risk/reward ratio is adjusted for risk factors such as, but not limited to, volatility, liquidity, correlation and conviction.

### *Global Equities Strategies*

Our Investment Philosophy is based on the belief that quality company (covering their cost of capital) with improving business momentum and with reasonable valuation tend to outperform. We integrate ESG factors within the investment process, 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.

We believe effective risk management maximizes the value to the client by ensuring that portfolio risk is both intended and justified, as such, we do not take large sector or regional bets so not to take unintended macro bets. Instead, we focus our risk taking on stock specific.

Our philosophy is style agnostic and enables us to source ideas from a broad universe of stocks, across the style spectrum and across market capitalisation.

With our extensive experience as a guide, we seek to identify attractive opportunities under the current market environment. The team sources ideas by using our proprietary quantitative screening tool, 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 favourably 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.

### **EUROPEAN/GLOBAL/EMERGING MARKETS FIXED INCOME**

Investment decisions are made by Head of the team 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 market dislocations.

Periodically, the investment team reviews and establishes 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.

For emerging markets our investment style reflects the belief that Emerging Markets Fixed Income (EMFI) can no longer be viewed as a single asset class in which all component parts respond unanimously to the same stimuli. Rather, we approach EMFI as a multi-asset class suite in which rates, FX, sovereign credit, corporate credit and frontier markets should all be considered as separate risk asset classes with their own dynamics and drivers.

The investment process by which EMFI portfolios are managed is clearly defined, disciplined and repeatable. We build portfolios in three distinct layers; two of which are the portfolios themselves (the bond underlay and alpha overlay) whereas the third (macro risk management) is the top layer of targets for how much risk we want in any given environment.

#### **Bond Underlay:**

The bond underlay is the core component of all EMFI portfolios. Here, we seek to hold a set of bonds that are high carry and low volatility, replicating the benchmark risk factors and thereby aiming to achieve benchmark beta but with higher carry. The bonds that we select for investment in the bond underlay have lower liquidity and higher spreads, which is an anomaly of Emerging Markets. We view this portfolio as having a 'buy and hold' approach where we limit trading to help avoid transaction costs, especially in these illiquid markets.

## Alpha Overlay:

On top of the bond underlay, we overlay our alpha. The alpha trades are taken from the model portfolios created by the alpha specialists who are specialised in their respective fields and trades are implemented in the most liquid form available. We believe in most EM markets, derivatives tend to be more liquid than bonds and therefore we implement trades where possible via interest rate swaps, credit default swaps, futures, forwards or options and can be fairly tactical in the implementation of our alpha trades. Each one of these alpha trades is overlaid with a specific alpha target and stop loss. The five types of alpha that we talk about are sovereign credit, non-sovereign credit, rates, FX and frontier. Each of these has its own behaviour, liquidity characteristics and its own dedicated portfolio managers with a specific process, appropriate to the traits of the alpha.

The Global Multi-Strategy Fixed income strategy is actively managed and intends to exploit the wide fixed income opportunity set through dynamically allocating amongst the comprehensive universe of fixed income sectors. The strategy has the ability to make opportunistic use of non-benchmark securities when permitted by client guidelines, including non-investment grade and unrated securities, as well as Emerging Market debt. The alpha / beta framework allows for efficient beta replication to which discrete, largely uncorrelated alpha sources are layered to achieve the tracking error target. The strategy takes advantage of its flexibility to allocate where it sees the most value at any point in time, and this allocation can significantly deviate from that of the benchmark, in terms of geography, sector and/or quality. Dynamic sector allocation decision-making allows the portfolio management team to quickly employ defensive strategies and to switch to a capital preservation mode in periods of market stress. The portfolio management team seeks to add value through active risk budgeting, incorporating ideas from independent single strategy team. Portfolios are implemented with an unconstrained approach, where possible, that uses derivatives in addition to cash bonds and currencies. Independent single strategy teams add value through the generation of individual trade ideas in their specialist areas, which are implemented on a discretionary basis by the portfolio management team. The strategy thus leverages on a combination of thematic structural expertise (top-down) and specialist single strategy teams (bottom-up) aiming to generate positive excess returns. Use of quantitative strategies is also incorporated.

Credit portfolios are managed through the combination of a top-down and bottom-up approach, with a focus on the links, correlations and technical dynamics that affect liquidity. We adhere to an active style of portfolio management and we aim to generate consistent outperformance relative to the benchmark rather than a series of highs and lows. While security selection and avoiding significant credit deterioration is our major preoccupation, at any given moment will incorporate dynamic views on sectors, ratings and duration/curve positioning.

Our approach is supported by experience gained across sectors, markets and technology applications over many credit cycles. We look for issuers with solid credit fundamentals and attractive valuation in order to generate alpha over the medium to long term. As active portfolio managers, we believe that there are various types of market inefficiencies that can be exploited. Firstly, there are certain market technicals that give rise to various opportunities. These can relate to curve trades i.e. positioning along certain parts of the curve to take advantage of steep or flat credit curves. There are also market segmentation opportunities involving differences in the cash and credit derivative markets to profit from the relative cheapness of cash or the relevant single name credit default swap (i.e. basis trades). Our approach is supported by experience gained across sectors, markets and technology applications over many credit cycles. We look

for issuers with solid credit fundamentals and attractive valuations in order to generate alpha over the medium to long term.

We 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. The use of derivatives is only permitted in portfolios whose investment guidelines explicitly allow their use.

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 market dislocations.

Periodically, the investment team reviews and establishes 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.

### **Single Strategy Teams**

Alpha teams are organized by area of specialty 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:

### **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.

BNPP AM UK'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 UK regularly transacts securities business. Also included are independent research and consulting firms from whom BNPP AM UK purchases economic research. This is further detailed in the section entitled "*Brokerage Practices*" below.

BNPP AM UK employs a wide range of tools, models and procedures to monitor and manage risk. Some of these software systems are proprietary, while others are purchased from vendors. We choose the best tool for the job, without regard to whether it is developed internally or externally. BNPP AM UK utilises sophisticated third party risk measurement systems that covers all the major asset classes, and can compute sensitivities, volatilities, VaR and stress tests. BNPP AM UK also utilises third party compliance systems that are managed and monitored by Investment Compliance and which checks orders pre-execution to comply with internal portfolio rules and regulations to avoid breaches.

BNPP AM UK collects data from a variety of public and private sources, casting a fairly wide net. However, irrespective of the source, data is scrutinised and analysed 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 UK 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 UK realises that the inherent beauty in modelling (its succinct outputs) can become a shortcoming if there is an over-reliance on models in the investment decision-making process.

We also have a separate team within the firm, who provide independent checks on portfolios. Pre- and post- trade investment compliance checks on client/internal guidelines are monitored and checks of the different guidelines are performed against the portfolio data.

The description contained below is a brief overview of different investment risks related to BNPP AM UK’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 UK 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.

*Liquidity Risk:* The liquidity of a portfolio’s investment is inherently restricted by trading volumes in the securities in which the portfolio invests. A lower level of liquidity affecting an individual security or derivative, an entire market or several overseas markets at the same time, may have an adverse bearing on the value of the portfolio’s assets. More importantly, this may affect the ability of the manager to sell particular securities and derivatives quickly enough to minimise impact cost, as and when necessary to meet requirements of liquidity or to sell securities in response to triggers such as a specific economic/corporate event. Trading volumes, settlement periods and transfer procedures may restrict the liquidity of a few or all of the investments and may affect the liquidity of the investments of the portfolio.

The manager may be unable to implement purchase or sale decisions for a portfolio when the markets turn illiquid, missing some investment opportunities or limiting ability to facilitate client withdrawals. The lack of liquidity could also lead to the risk that the sale price of a security could be substantially lower than the fair value of the security.

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

*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 fulfil 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 counterpart. 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 mutual funds have the ability to take larger positions in a smaller number of issuers than a diversified fund, which makes a non-diversified fund more susceptible to financial, economic or market events impacting such issuers, and a non-diversified fund's share price may be more volatile than the share price of a diversified fund.

*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 UK 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 UK'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 UK'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.

*REIT Securities Risk:* The performance of mortgage REITs depends on the performance of the portfolio investments of the REIT in real estate and/or mortgages. Mortgage REITs may be affected by the quality of any credit extended and by special tax rules that apply to certain investments in securitised pools of mortgages.

*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 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.

*Leverage Risk:* Many financial instruments/positions offer clients opportunity to gain an exposure to leveraged positions that may benefit from magnified gains dependent on favourable movements in variables underlying the position. Any financial instruments/positions that offer the potential of magnified gains also pose the risk of magnified losses. As described above, leverage risk is most evident in (but not limited to) derivatives and structured products.

*Derivatives Risk:* When permitted by the investment guidelines of and regulations applicable to its clients, BNPP AM UK may use derivatives instruments, like Options, Futures, Warrants, Interest Rate Swaps, Forward Rate Agreements or other derivative instruments. Usage of derivatives will expose portfolios to certain risks inherent to such derivatives. Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself. There is a possibility that a loss may be sustained by a portfolio as a result of the failure of another party (usually referred to as the "counterparty") to comply with the terms of the derivatives contract. Other risks in using derivatives include the risk of mispricing or improper valuation of

derivatives and the inability of derivatives to correlate perfectly with underlying assets, interest rates and indices. Even a small price movement in the underlying instrument could have a large impact on their value. This could increase the volatility of the portfolio's performance.

Derivative products are leveraged instruments and increase the volatility of the portfolio's performance. The risks associated with the use of derivatives are different from or possibly greater than the risks associated with investing directly in securities and other traditional investments.

In the case of hedging, it is possible that derivative positions may not be perfectly in line with the underlying assets they are hedging. As a consequence, the derivative cannot be expected to perfectly hedge the risk of the underlying assets. This also increases the volatility of the portfolio's performance.

*Operational Risk:* Operational risk addresses the risk of trading and back office or administration issues that may result in a loss to a portfolio. This could be the result of oversight, ineffective securities processing procedures, computer systems problems or human error. Some markets are less regulated than most of the international markets, hence, the services related to custody and liquidation for the portfolio on such markets could be more risky.

*Valuation Risk:* This risk relates to the fact that markets, in specific situations and due to lack of volumes of transactions, do not enable an accurate assessment of the fair value of invested assets. In such cases, valuation risk represents the possibility that, when a financial instrument matures or is sold in the market, the amount received is less than anticipated, incurring a loss to the portfolio and therefore impacting negatively the net asset value of the portfolio.

*Taxation Risk:* The value of an investment may be affected by the application of tax laws in various countries, including withholding tax, or changes in government or economic or monetary policy in the countries concerned. As such, no guarantee can be given that the financial objectives will actually be achieved.

*Cybersecurity Risk:* BNPP AM UK 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 UK 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 UK 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 UK 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.

---

From at least 2004 through 2012, BNPP knowingly and wilfully 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 30 June 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 9 July 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 30 June 2014 and the action brought by the DOJ through a plea agreement dated 28 June 2014 (the “Plea Agreements”). The Plea Agreements required BNPP to plead guilty to the charges set out in the respective informations 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 15 April 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 1 May 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 as well as the U.S. Department of Labor (the “DOL”) to request relief enabling BNPP’s investment advisory and other affiliates to continue to provide uninterrupted advisory services to certain classes of clients. The SEC has granted a Temporary Order permitting BNPP’s registered investment advisory affiliates to continue to provide advisory services to U.S. registered investment companies. BNPP also submitted a request to the DOL seeking an exemption permitting certain BNPP investment advisory and other affiliates to retain their status as Qualified Professional Asset Managers.

---

Neither BNPP AM UK 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 UK is committed to observing the highest standards of integrity and regulatory compliance in all aspects of its work.

BNPP AM UK 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 company or its personnel.

## Other Financial Industry Activities and Affiliations

BNPP AM UK is a subsidiary of BNPP, a publicly owned bank organised in France engaged in global financial activities. Since BNPP AM UK is a subsidiary of a global financial organisation, 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 UK that are considered material to its advisory business.

*BNP PARIBAS ASSET MANAGEMENT:* As part of a global strategy, BNPP's asset management division has been branded as BNP PARIBAS ASSET MANAGEMENT or BNPP AM. BNPP AM includes various asset managers which comprise BNPP's asset management business line. A list of the individual BNPP AM 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 UK has an arrangement that is material to its advisory business with BNP PARIBAS ASSET MANAGEMENT USA, Inc., an affiliated investment adviser that is registered with the SEC.

Please note that BNP PARIBAS ASSET MANAGEMENT USA, Inc. is registered as a commodity pool operator and a commodity trading advisor with the U.S. Commodity Futures Trading Commission and is a member of the National Futures Association.

BNPP AM UK may from time to time enter 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. From time to time prospective clients may be directly introduced to BNPP AM UK by other BNPP AM companies. In such instances, BNPP AM UK and the relevant BNPP AM company will negotiate fee sharing arrangements on a case by case basis.

BNPP AM UK shares office space with certain other BNPP AM companies in compliance with applicable regulation and with the appropriate supervision by legal and compliance personnel. BNPP AM UK has adopted strict policies and procedures to ensure protection of confidential information relating to its clients. The informational barriers procedures apply to all employees of each affiliated investment adviser. All employees must take all reasonable steps to protect confidential information and to restrict its flow to any other investment adviser or any employee of any other adviser. All employees are required to read and certify compliance with these procedures.

*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 UK has entered into sub-advisory or delegation agreements with its BNP AM European affiliates to manage certain assets of the funds. Clients are not assessed additional fees for this service.

Eligible clients may authorize BNPP AM UK 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 UK 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 UK 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 UK addresses these conflicts by eliminating them where possible, through disclosure and where they cannot be eliminated, implementing controls, investor pre-approval and additional disclosures are necessary.

*SME Alternative Financing:* The SME Alternative Financing platform provides financing to SMEs in selected BNPP non-domestic and domestic European countries through non-conventional origination channels (for example alternative lending platforms). The SME Alternative Financing team is part of BNPP AM's Private Debt and Real Assets Group and sits within BNPP AM UK. BNPP AM UK has entered into an investment advisory agreement to provide investment advisory and platform services in connection with the establishment and operation of the platform such as loan arrangement services, origination services, and generate the sale of loans or other assets acquired or originated by a special purpose vehicle (SPV). It was decided in 2021 to stop the activity of SME loan origination. BNPP AM will however continue to manage the team's current book of loans.

*Outsourcing:* BNPP AM UK provides a number of its support and operational functions to other entities within BNPP AM under Service Level Agreements. A summary of these outsourcing arrangements is provided below:

- i) Services in respect of Finance, Tax, Compliance, Legal/Company Secretarial, Human Resources, Facilities, Business Continuity, IT, Risk and Operational Risk, are provided by BNPP AM UK to other entities within BNPP AM. All services are covered by Service Level Agreements.
- ii) Support and operational functions to its affiliate, BNP Paribas Securities Services, in respect of trade support, trade processing, collateral administration, client reporting and performance management. All services are covered by a Service Level Agreement.
- iii) Services to facilitate the transmission of orders are provided by BNPP AM centres located in jurisdictions outside the UK. All services are covered by a Service Level Agreement.

In addition to the services described above, portfolio management of certain mandates is delegated to BNP PARIBAS ASSET MANAGEMENT USA, Inc.

*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 UK. 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, equity and other markets in which BNPP AM UK directly and indirectly invests on behalf of client portfolios. BNPP AM UK 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 UK will use its best efforts to minimise 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 prioritised.

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 UK does not act as broker or principal in the purchase of securities for transactions with its clients.

BNPP AM UK 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 UK provides investment management services. In such cases, BNPP AM UK and its affiliates maintain policies to prevent conflicts of interest harmful to its clients.

Certain persons providing services to BNPP AM UK may be employed by or also providing services to BNPP AM UK's affiliates under common control by BNPP. Any such provision of services would be undertaken in compliance with applicable regulation and the appropriate supervision of compliance personnel.

*Other Conflicts of Interest:* As discussed in the section entitled "*Performance Based Fees and Side-by-Side Management*" above, BNPP AM UK 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 UK places assets of its clients in such vehicles only if the client authorises such use. Fees charged by BNPP AM UK are specified in a client's investment management agreement.

BNPP AM UK 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 UK has directly or indirectly material interests or relationships which may involve conflicts or potential conflicts with BNPP AM UK's duty to its clients.

BNPP AM UK's officers, directors, and employees may be asked to serve as directors, advisers, or in other forms of participation in other companies or organisations, some of which may be

affiliates of BNPP AM UK 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 of both senior management and compliance must be obtained in respect of external appointments. For appointments to affiliates of BNPP AM UK, senior management approval must be sought before accepting such a position and compliance personnel must be advised of all such appointments.

BNPP AM UK is required to treat its clients fairly and to take all reasonable steps to ensure that clients do not suffer any detriment in relation to such conflicts of interest or material interests as described above. To meet this requirement, BNPP AM UK ensures that it has taken all reasonable steps to identify conflicts of interest or material interests and has in place adequate policies and procedures to protect its client interests and manage such conflicts or materials interests, including drawing to its clients' attention to the possibility of such conflicts. Such policies and procedures include, but are not limited to BNPP AM UK's Code of Ethics, personal trading policies, trade aggregation and allocation policies, policies governing outside business activities and gifts and entertainment, as well as a Conflicts of Interest Policy which includes an informational barriers policy.

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

BNPP AM UK has adopted a Code of Ethics which mandates high standards of business conduct and professionalism and establishes rules of conduct for its employees. BNPP AM UK's Code of Ethics is intended, among other things, to ensure that personal investing activities by BNPP AM UK's employees are consistent with BNPP AM UK's fiduciary duty to its clients. The Code of Ethics requires employees to obtain pre-approval for certain transactions, including but not limited to, fixed-income securities, equity transactions, derivatives transactions, exchange traded futures and options contracts, acquisitions in initial public offerings and acquisitions of shares in funds advised or sub-advised by BNPP AM UK or by another BNPP AM company. Additionally, BNPP AM UK's employees must adhere to other personal investment policies which are specifically described in the Code of Ethics. BNPP AM UK's employees may own securities which may be or could be held for clients. BNPP AM UK's policy is that all employee transactions in any securities which are also eligible for client accounts must be specifically approved in advance. The Code prohibits BNPP AM UK's employees from trading on material non-public information. All BNPP AM UK's employees are required to provide Initial, Quarterly and Annual Personal Holdings Reports. BNPP AM UK will provide a copy of its Code of Ethics to any client or prospective client upon request.

For non-exempt personal transactions, employees require Compliance or line manager pre-approval. Personal trade requests of members of an investment team (portfolio managers, portfolio analysts, portfolio constructors, traders etc.) may also require their supervisor's (or delegate) pre-approval.

Potential conflicts between employees' trading and trading in securities held, or being considered for purchase by the Fund and/or other accounts managed by the Firm, are considered in the review process completed upon receipt of an employee's Trade Approval Request.

Investment Personnel must also acknowledge within their Pre-trade Approval Request that they are unaware that the security is currently being traded by BNPP AM UK. Further, an additional layer of review is added, which, based on the potential conflict identified, requires that the



employee's supervisor and/or Compliance complete a secondary review before the employee's request may be approved. Such secondary reviews of investment personnel trade requests allow for the employee's supervisor to consider whether the employee, based on his/her role may have additional knowledge (i.e. whether the employee may have knowledge of an investment decision yet to be implemented). Such potential conflicts are also considered in the approval process. Trade approvals are valid through the close of trading on the market day following the approval.

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 UK unless the information is also available to the investing public on reasonable inquiry.

BNPP AM UK may be subject to potential conflicts of interest when making investment decisions for clients and such conflicts can affect its objectivity. There is 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 UK under common control by BNPP and a description of the conflicts of interest see section entitled "Other Financial Industry Activities and Affiliations."

## **Brokerage Practices**

Counterparty Selection: BNPP AM UK applies a formalised process for selecting execution intermediaries based on their ability to trade, from front to back, the various types of instruments. To avoid any misunderstanding, the term "broker" applies to intermediaries executing delivery versus payment transactions whereas the term "counterparty" is only used for intermediaries executing OTC derivatives transactions. The reference to "intermediaries" is then being construed as encompassing both brokers and counterparties.

For BNPP AM UK, the bodies authorised to approve, decline or remove counterparties/brokers on the authorised Global Counterparty List (GCL) are the Global Counterparty Committee (GCC) and/or the Global Sell Side Committee (GSSC) as appropriate. GSSC covers both DVP and OTC business and fits to the GCC's decisions from a pure Credit Risk perspective.

The objective for GCC/GSSC is to examine all elements of the risk/reward matrix to determine the appropriateness of each counterparty or broker for inclusion on the approved list. Particular focus is given to the creditworthiness, operational efficiency, best execution capabilities and relationship value of the counterparty.

The business may propose new counterparties/brokers. Such proposals need to be supported by both the Chief Investment Officer of the relevant business line as well as the appropriate Head of Dealing. For each new proposal, a fully completed application form is required, detailing the business case, legal entity, contact details etc. For Counterparty relationships implying any credit risk, Credit Risk must also perform a risk analysis commensurate with the anticipated risk profile. GCC has minimum counterparty rating standards which can only be changed upwards for counterparties. In the event of a split rating the lowest rating will be used. OTC transactions must be documented under an ISDA plus a Credit Support Annex (CSA) where possible. DVP brokers are not subject to the same level of scrutiny in consideration of the short term and relatively benign nature of the product being traded. However, GCC & RBC are required to consider the integrity of the operating and settlement environment of the DVP activity as well as the creditworthiness of the counterparty/broker.

Temporary dealing may be approved on a one-off basis subject to Straight Through Processing (“STP”) compatibility where liquidity or best execution demands require it.

Where a counterparty or broker is specified by a client as a preferred entity then even if this name is not on the GCL, it can be approved for use in respect of this client only. This approval is subject to the very strict understanding that this requirement must be documented in writing by the client with a clear statement to the effect that the client understands that it takes full responsibility for this selection.

*Cross Trades:* All transactions executed in over-the-counter markets are executed on a net price basis. As a matter of policy BNPP AM UK will only enter into cross transactions on an exceptional basis where such transactions are in the best interests of its clients taking full account of any conflicts of interest and ensuring these are properly addressed. Cross transactions must be formally approved by Compliance prior to execution.

*Best Execution:* All trades are executed with counterparties which are approved by BNPP AM UK in accordance with the process described above, selected in a manner consistent with seeking best execution. No concessions on prices are made to any dealer by reason of services performed or offered to be performed, or goods supplied or offered to be supplied. In addition to the gross dealing price, BNPP AM UK takes into account the level of charges, mark up or mark down made by the counterparty and the creditworthiness of the counterparty.

*Affiliated Transactions:* BNPP AM UK may recommend purchases of securities in primary offerings where a related party is a member of the underwriting syndicate. BNPP AM UK may effect transactions with BNPP or its affiliates as a dealer unless such transactions with related parties are not permitted by the client. In respect of any U.S. Clients, BNPP AM UK would obtain specific permission from the client for such transactions with related parties. Any such transactions are conducted on an arms-length basis and are strictly subject to the principle that BNPP AM UK must always act in its clients’ best interests and transaction must be in accordance with the BNPP AM UK’s Best Execution Policy.

*Funding of Research:* BNPP AM UK applies a specific process for selecting providers of research services and investment support. The criteria that is applied for the selection of research providers which are distinct from those applied for selecting execution intermediaries, does not however preclude BNPP AM UK to select certain intermediaries both for execution and research services. A key principle of BNPP AM’s policy on the independence of research is that the cost of external research is distinguished and independent from the cost of executing a trade. These costs can be either:

- Collected from the portfolio by the execution intermediary at the moment of settlement of a transaction pursuant to a Research Charge Collection Agreement (RCCA), it being understood that the research commission will be distinct from the execution commission. The amounts so collected will be used by BNPP AM UK to pay research material relevant to the considered portfolio to the various research providers according to the pre-defined budget of research.
- Paid directly by BNPP AM UK out of its own resources.

*Research Charge Collection Agreement (RCCA).* The Firm may, as permitted by applicable law, use commissions to obtain research provided by broker-dealers but produced by third

parties, through RCCA. Thereby, client transactions may be directed to a particular broker-dealer in return for soft dollar benefits that the Firm receives. In a RCCA, 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.

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

- Berenberg - Fundamental Equity
- Bernstein - Fundamental Equity and Environmental Themed Research
- EXANE - Environmental Themed Research
- Goldman Sachs - Fundamental Equity, Environmental Themed and Macro Research
- HOLT - Fundamental Equity Research
- J P Morgan - European Large Capital Equities Research
- Morgan Stanley - European Large Capital Equities Research

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

*Trade Aggregation and Trade Allocation:* As an adviser and fiduciary to our clients, BNPP AM UK places its clients' interests first and foremost. Consistent with this fiduciary duty, BNPP AM UK'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. In furtherance of this policy, when the same securities are purchased or sold for one or more of BNPP AM UK's client accounts, BNPP AM UK's general policy is to, when possible, purchase or sell the securities as a block transaction, and to allocate such securities or proceeds for the participating accounts at the price paid per unit allocated.

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.

## **Review of Accounts**

BNPP AM UK 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 executed by a separate dealing desk. The portfolio manager monitors account objectives and guidelines, as well as communicating with each client on a continuous basis.

The Investment Compliance teams provide an independent check of clients' compliance with their respective investment guidelines.

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

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

## **Custody**

Custody is defined as any legal or actual ability by BNPP AM UK to access client funds or securities. Since all client funds and securities are maintained with a qualified custodian, BNPP AM UK 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 UK 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. Therefore, 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.

BNPP AM UK has implemented policies and procedures to govern those instances where the custodian of a client is a related person of BNPP AM UK (i.e. a person directly or indirectly controlling or controlled by BNPP AM UK or a person under common control with BNPP AM UK). BNPP AM UK maintains a copy of the internal control report ISAE 3402 or equivalent document) of the related person. Please be advised that BNPP AM UK does not currently manage assets for US persons.

## **Investment Discretion**

BNPP AM UK 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 UK's clients, stipulating various limits governing the management of each portfolio, including eligible securities and maximum commitments. Within the guidelines,

BNPP AM UK may execute trades without further authority. Trades are executed with those dealers or other financial institutions which, in BNPP AM UK's judgment, offer the most favourable terms for its clients. Fixed-income securities are traded predominantly with dealers at net prices without commissions. When BNPP AM UK utilises 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 UK may specify a subset of dealers or financial intermediaries in its guidelines which may be utilised for its portfolio, or similarly provide a minimum credit rating to which BNPP AM UK must adhere in selecting a dealer or financial intermediary.

## **Voting Client Securities**

BNPP AM UK 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 UK'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 UK'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 UK 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 UK 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 UK 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. BNPP AM UK 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 UK generally votes consistently on the same issue when securities are held in multiple client accounts, certain circumstances may cause the BNPP AM UK 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 UK has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.