



**FIDUCIARY TRUST  
INTERNATIONAL, LLC  
(f/k/a Athena Capital Advisors, LLC)**

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**Part 2A of Form ADV: Firm Brochure**

December 2023

This Brochure provides information about the qualifications and business practices of Fiduciary Trust International, LLC (“FTI”). If you have any questions about the contents of this Brochure, please contact us at (781) 728-1189. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about FTI is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). FTI is a registered investment adviser. Registration of an investment adviser does not imply a certain level of skill or training.

## Item 2. Material Changes

The following material changes have been made since the last annual update:

- Item 5 has been updated to include language regarding fees on Affiliated Products.
- Item 14 has been updated to reflect that FTI may compensate third parties for client referrals.

### Item 3. Table of Contents

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## Item 4. Advisory Business

### Introduction

Fiduciary Trust International, LLC (“FTI” or the “Firm”) is an investment advisory firm providing highly customized portfolio management, research and related wealth management services to high and ultra-high net worth individuals, families and nonprofit institutions. FTI also provides advisory services to privately offered investment funds, and, in some instances, serves as sub-adviser to certain advisory clients.

FTI was formerly known as Athena Capital Advisors, LLC and was founded in 1993 by Dr. Lisette Cooper. The Firm is wholly-owned by Fiduciary International Holding, Inc. (“FIHI”), which in turn is wholly-owned by Fiduciary Trust Company International (“FTCI”), a trust company headquartered in New York. FTI and FTCI each are subsidiaries of Franklin Resources, Inc., a publicly-owned, NYSE-listed, global investment management organization operating as Franklin Templeton.

FTI’s principal place of business is in Lincoln, Massachusetts. FTI also has places of business in New York, New York, San Mateo, California, and Boca Raton, Florida.

As of September 30, 2023, discretionary assets under management were \$4,988,086,184 and non-discretionary assets under management were \$476,790,843, totaling \$5,464,877,027.

### Financial Advisory, Wealth Management and Family Office Services

FTI serves a sophisticated group of high and ultra-high net worth private investors, including individuals and families with substantial wealth, as such investors’ external chief investment officer and investment staff. Many of FTI’s family clients have a variety of accounts and affiliated entities such as trusts, limited liability companies and family limited partnerships and FTI typically advises all of these accounts and entities on their behalf.

FTI also works with endowments, foundations and other institutions and provides outsourced chief investment officer services, governance, advisory and portfolio planning and diagnostic services to such entities.

FTI frequently works with advisory clients’ family office staff, lawyers, accountants, tax experts and other service providers. FTI assists clients’ extended families and is skilled in addressing intra-family matters, estate planning, charitable giving and distribution planning. Some of FTI’s employees serve in an individual capacity as trustee, or agent for the trustee, of family trusts. FTI also assists the investment committees, boards of trustees, executives, financial staff, attorneys and other service providers of its institutional clients. FTI tailors the solution to best fit the needs of the advisory client.

### Portfolio Management Services

FTI’s services most often include the creation of a tailored investment policy statement (IPS), strategic asset allocation and tactical implementation, third party investment manager selection and monitoring, and consolidated performance reporting. FTI has strong quantitative and derivative expertise, and, as and where appropriate, creates customized hedges or other sophisticated transactions and structures for our advisory clients. FTI’s portfolio management team periodically reviews and/or revises the IPS to account for changing client circumstances and needs as well as any changing market conditions.

FTI manages advisory client accounts on a discretionary or non-discretionary basis, as agreed upon with each advisory client. FTI will work with advisory clients at any point along the discretionary spectrum to construct and manage portfolios designed to achieve an advisory client's objectives. FTI welcomes advisory client involvement at any point in the investment decision-making process.

For advisory clients with values-based priorities as well as financial goals, FTI has the capability and experience to construct portfolios that align with personal values and social impact objectives. Such advisory clients receive the same customized and personalized service FTI provides to all advisory clients. Advisory clients may impose reasonable restrictions on investing in certain securities, types of securities or industry sectors.

FTI develops a customized investment approach for each advisory client based on their risk tolerance, return requirements, investable and other assets, time horizon, need for liquidity, legal and tax considerations, inter-generational issues, impact/social investing preferences (if any) and any other special needs and circumstances. Advisory client investment strategies are generally diversified across a range of asset classes as appropriate, including U.S. equities, foreign equities, real estate, private equity, hedge funds and other alternative investments, bonds, derivatives, futures and cash equivalents.

FTI considers multiple client-specific factors when making investment recommendations. These factors include assessing how well the advisory client's risk tolerance fits with the proposed investment strategy and investment manager's philosophy, the composition and needs of the advisory client's current portfolio, and terms and structure of the proposed investment(s). Depending on an advisory client's specific circumstances, FTI may advise investing via a separately managed account with a third-party investment manager, via a mutual fund or ETF, or via a third-party private investment vehicle or through one of our private investment funds ("FTI Private Funds"—see below). FTI generally does not offer separate account managed services in connection with which it directly purchases securities for advisory clients but may accommodate these services as and when appropriate.

FTI encourages advisory clients to carefully review the investment recommendation memos that FTI prepares when recommending investment strategies.

### Private Investment Funds

FTI has created and expects to continue to create pooled investment vehicles that are typically structured as fund of funds or access vehicles to underlying funds (each a "FTI Private Fund" and together, the "FTI Private Funds"). The FTI Private Funds are not registered under the Investment Company Act of 1940, as amended (the "Investment Company Act") and the interests are not publicly offered under the Securities Act of 1933. FTI serves as a sub-advisor to certain FTI Private Funds, pursuant to a sub-advisory agreement between the management company of the fund and FTI. Where appropriate and suitable, FTI recommends to advisory clients that they invest in one or more of the FTI Private Funds. Not all advisory clients will be offered the opportunity to invest in a FTI Private Fund.

Certain FTI Private Funds provide diversified commingled investment strategies for eligible clients. Certain other FTI Private Funds were created to generally allow eligible clients the opportunity to combine their funds to meet minimum participation thresholds to invest in third party private investment vehicles such as hedge funds, private equity funds or real estate funds. Participation in these vehicles is at an advisory client's election and is limited to eligible clients who are accredited and qualified investors.

All relevant information pertaining to the FTI Private Funds, including the compensation received by FTI, other fees and expenses, withdrawal rights, minimum investments, qualification requirements, suitability,

risk factors and potential conflicts of interest is set forth in the respective FTI Private Fund's disclosure documents, governing documents, and other offering materials (collectively the "Offering Documents"), as supplemented by information concerning the FTI Private Funds set out in this Brochure. Each investor is required to receive, review and execute (as applicable) the Offering Documents prior to being accepted as an investor in any of the FTI Private Funds.

#### Sub-Advisory Services

FTI is an indirectly wholly-owned subsidiary of FTCI. FTI has entered into sub-advisory agreements with FTCI and certain affiliates of FTCI ("FTCI Affiliates") to act as sub-adviser to and provide investment management services ("Sub-Advisory Services") to clients of FTCI and FTCI Affiliates ("Sub-Advisory Clients"). FTI manages the Sub-Advisory Clients designated assets based on the investment strategy as set forth in the investment management agreement between each such Sub-Advisory Client and FTCI or the FTCI Affiliate, respectively.

#### Research Services

FTI has an experienced Research Team. This team conducts due diligence with respect to all investment recommendations made by FTI or investments made by FTI for our FTI Private Funds. More specifically, the Research Team reviews potential and existing investments, tracks the performance of most sectors of the markets, and identifies investments with independent third-party managers demonstrating knowledge and expertise in a particular investment strategy. Upon a client's request, FTI may conduct due diligence on and meet with third-party managers of specific investments identified by the client. FTI regularly and continuously monitors the performance of its third-party managers.

From time to time, FTI evaluates investments that are offered by, or through, the direct or affiliated business operations of FTI's clients. In response to a client's request, and as deemed suitable and appropriate, FTI's Research Team gathers information on such opportunities and distributes the information gathered. FTI considers these opportunities as they arise and recommends them to other clients if the investment is otherwise suitable and appropriate, but with full disclosure that a pre-existing relationship attaches to the opportunity. FTI does not receive additional fees or commissions for making such recommendations to clients.

FTI has expertise in alternative investment management, including the design of customized portfolios of hedge funds and other private investments. FTI's extensive relationships, and those of our clients, provide unique knowledge and insight regarding specialized investment funds.

#### Other

FTI does not provide legal or tax advice.

## Item 5. Fees and Compensation

### Fees for Portfolio Management and Sub-Advisory Services

FTI charges its advisory clients (other than the FTI Private Funds and the Sub-Advisory Clients) an investment advisory fee for portfolio management services that are typically based upon a percentage of assets under management and in most instances range from 0.25% to 1.00%. Investment advisory fees differ among advisory clients.

FTI negotiates fees in light of a client's special circumstances, asset levels, the breadth and complexity of services provided to the client or other factors, in FTI's sole discretion. FTI offers certain clients a fee schedule that is lower than that of other comparable clients for comparable services and sometimes chooses to waive all or a portion of a negotiated fee for a given period.

The minimum annual investment advisory fee for portfolio management services is typically \$150,000 and may be waived from time to time.

Additional related services such as trustee services, consolidated reporting and service provider search and coordination may be included in the overall investment advisory fee charged to the client or charged separately, depending on the terms of the client's agreement with FTI.

Sub-Advisory Clients do not pay FTI any fees or compensation directly. FTI generally receives an annual sub-advisory fee from FTCI or an FTCI Affiliate equal to 50% of the fees that FTCI or such FTCI Affiliate receives from its client. If FTI invests any of the assets of the Sub-Advisory Clients in a FTI Private Fund, FTI generally waives its Fund Management Fee with respect to such Sub-Advisory Client to the extent such Sub-Advisory Client remains a client of FTCI or an FTCI Affiliate.

### FTI Private Funds

As discussed in Item 4, existing advisory clients of FTI may elect to participate in the FTI Private Funds as part of their overall services. FTI's practice has been to waive the annual management fee for its services as investment manager to the FTI Private Funds (the "Fund Management Fee") for current advisory clients. Accordingly, current advisory clients of the Firm who invest in a FTI Private Fund do not pay the Fund Management Fee to FTI. Instead, FTI includes the clients' interests in the FTI Private Fund as managed assets subject to the client's governing investment advisory fee schedule.

There is no additional fee to be paid by an advisory client in connection with an investment in a FTI Private Fund other than (1) reimbursement to FTI for services provided by certain FTI employees who perform administrative and accounting services on behalf of the FTI Private Funds at rates that do not exceed those charged by an independent third party; and (2) reimbursement to the FTI Private Funds for their direct operational expenses (legal, accounting and administrative costs). Such operational expenses are shared on a pro-rata basis by the advisory clients and former advisory clients who participate in such vehicle.

In most instances, FTI will receive the Fund Management Fee from investors in the FTI Private Funds who are not current advisory clients of FTI, FTCI or FTCI Affiliate. In general, such investors pay an annual Fund Management Fee, which may vary across the FTI Private Funds, and which is typically allocated to such investors in proportion to their capital account balances or net asset value in the respective FTI Private Fund.

FTI does not receive any performance fee for its advisory services to the FTI Private Funds. However,

investors will be indirectly subject to performance-based fees as a result of the underlying investments by the FTI Private Funds in other funds whose managers may or may not waive their performance-based fees.

### Affiliated Products

FTI may recommend products offered by Franklin Templeton Affiliates (as defined below) or in which Franklin Templeton Affiliates or their personnel may have an ownership or management interest, which are not Affiliated Funds (as defined below), such as, but not limited to, private funds and separately managed account strategies (each an “Affiliated Product” and together the “Affiliated Products”). FTI’s policy, with certain exceptions, is to charge advisory clients an advisory fee on the investment in the Affiliated Product, and the Franklin Templeton Affiliate will also charge its fee on the Affiliated Product. In addition, FTI may purchase certain Affiliated Products for a FTI Private Fund in its discretionary capacity as investment manager of a FTI Private Fund or upon an advisory client’s instruction. In both cases, advisory clients pay the fees charged by the Franklin Templeton Affiliate for such Affiliated Products purchased by the FTI Private Fund.

### Fees in General

All fee arrangements are detailed in the advisory client’s advisory agreement with FTI, the FTI Private Fund’s management agreement with FTI, or the sub-advisory agreement between FTI and FTCI, or the FTCI Affiliates.

Investment advisory fees are generally charged in advance at the beginning of each quarter, based upon the net value of the assets in the advisory client account on the last business day of the previous quarter, pro-rated for additions and withdrawals. To illustrate, an advisory client’s investment advisory fee for the first quarter of a given year would be based on the net value of the assets in the advisory client account as of the last business day of the prior third quarter. An advisory client may obtain a refund of any prepaid, unearned fees as discussed below at “Account Termination”.

FTI sends quarterly invoices to clients. FTI may, and does for some clients, directly debit custodial accounts for FTI’s investment advisory fees.

FTI may aggregate certain related client accounts for the purposes of determining the account size and/or annualized fee.

Certain client relationships are governed by fee arrangements different from those listed above.

### Account Termination

An advisory client may terminate its advisory agreement by providing FTI with notice in writing. Upon termination of any advisory agreement, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. Upon termination of the advisory agreement, advisory clients who invested in the FTI Private Funds remain subject to the terms of each fund’s governing agreements and are required to pay FTI the stated Fund Management Fee from the date of termination through the date of the advisory client’s interest liquidation in the FTI Private Funds. An advisory client in the FTI Private Funds may withdraw its interest in the FTI Private Funds in accordance with the withdrawal terms of the FTI Private Funds’ formation and Offering Documents. Advisory clients in the FTI Private Funds should refer to the relevant Offering Documents for complete information on the fees, expenses and applicable withdrawal terms.



## Investment Funds' Fees and Expenses

All fees paid to FTI for investment advisory services are separate and distinct from the fees and expenses charged by the underlying managers of investment funds that FTI recommends for an advisory client's portfolio (such as mutual funds, ETFs, separately managed accounts of third-party investment managers, hedge funds, real estate funds and private equity funds). These fees generally include a management fee, other fund expenses and in certain cases a distribution fee and/or a performance-based incentive fee paid to the manager of the fund. Advisory clients should review carefully both the fees charged by these investment funds and the fees charged by FTI to fully understand the total amount of fees to be paid and to better evaluate the advisory services being provided.

## Brokerage, Custodial, Third-Party Manager and other Third-Party Fees

FTI's investment advisory fees are exclusive of any fees and/or expenses charged by third parties. In addition to advisory fees paid to FTI, advisory clients are responsible for all transaction, brokerage, trade-away, custodial and other fees incurred as part of their account management. Please see Item 12 of this Brochure for important disclosures regarding FTI's brokerage practices. All fees charged by selected third-party managers and/or funds or custodians are incurred by clients in addition to FTI's advisory fees. In addition, private investment funds not advised by FTI may charge performance-based fees. Further information regarding the fees, costs and expenses incurred by the FTI Private Funds can be found in the relevant Offering Documents.

## Allocation of FTI Private Fund Expenses.

From time to time, FTI will be required to decide whether certain fees, costs and expenses should be borne by a FTI Private Fund, on the one hand, or FTI on the other hand, and/or whether certain fees, costs and expenses should be allocated between or among FTI Private Funds and/or other parties. Typically, certain expenses will be the obligation of one particular FTI Private Fund and will be borne by that fund; however, in some instances, expenses will be allocated among multiple FTI Private Funds and entities. FTI will allocate fees and expenses incurred in the course of evaluating and making investments in accordance with each fund's governing documents. To the extent not addressed therein and to the extent it has the authority to do so, FTI will make these allocation determinations in a fair, balanced and reasonable manner using its good faith judgment, notwithstanding its interest (if any) in the allocation. In exercising its discretion to allocate investment opportunities and fees and expenses, FTI is faced with a variety of potential conflicts of interest. For additional information regarding these potential conflicts, please see Item 11 ("Code of Ethics, Participation or Interest in Client Transactions and Personal Trading").

## **Item 6. Performance-Based Fees**

FTI does not charge any performance-based fees (fees directly based on a share of capital gains on or capital appreciation of the assets of a client). Certain private fund managers selected by FTI or recommended for clients by FTI may charge performance-based fees which will require that clients are either a (i) "qualified client" under Rule 205-3 of the Investment Advisers Act of 1940 (the "Advisers Act") (including an investor in a Section 3(c)(1) fund under the Investment Company Act or (ii) "qualified purchaser" as defined under the Investment Company Act. Clients should refer to the applicable offering documents for any investment vehicle for additional information on the third-party fund manager's performance-based fees.

## Item 7. Types of Clients

FTI provides investment advisory and management services to individuals, family offices, trusts, estates, charitable organizations, corporations and other business entities as well as some institutional clients such as endowments, partnerships and limited liability companies. FTI also provides advisory services to the FTI Private Funds and sub-advisory services to Sub-Advisory Clients. Investment advice is provided to the FTI Private Funds and only individually to each of the investors in the FTI Private Funds to the extent such investor is separately a current advisory client of FTI.

The investment minimums and investor eligibility requirements relating to an investment in each FTI Private Fund are stated in the respective fund's Offering Documents. FTI and/or the respective FTI Private Fund's general partner generally have the discretion to waive or modify the investment minimum.

FTI does not generally require a minimum account size for its clients. Minimum investment amounts for the FTI Private Funds are set forth in the Offering Documents. Minimum account size for the Sub-Advisory Clients is generally established by FTCI or the FTCI Affiliates.

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

### *Methods of Analysis*

FTI seeks to build investment portfolios that are based on long-term strategic asset allocations that:

- Seek to achieve a target investment return while balancing risk, return and minimizing taxes;
- Are robust under foreseeable economic circumstances;
- Are well-diversified by type of market exposure and manager strategy;
- As and where requested, incorporate a client's preference for impact or ESG strategies; and
- Incorporate both historical and forward-looking expectations of asset and sub-asset class risk/return characteristics.

FTI regards strategic asset allocations as the foundation to managing advisory client portfolios. Advisory client portfolios often vary from strategic weights based on tactical shifts (as discussed below) or client-directed tilts to the portfolio.

FTI then seeks to enhance advisory client portfolio returns by tactically adjusting asset class or sub-asset class exposures. For example, FTI may recommend overweighting exposures that FTI believes have attractive risk/return characteristics on a 6-18-month forward-looking basis.

FTI implements asset allocation strategies using a mix of alpha and beta instruments, including long/short structures (i.e., hedge funds), active long-only managers and passive investment vehicles.

FTI also examines the experience, expertise, investment philosophies and past performance of independent third-party investment managers to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. FTI monitors the manager's underlying holdings, strategies, concentrations and leverage as part of overall periodic risk assessment. Additionally, as part of the due diligence process, FTI surveys the manager's compliance and business enterprise risks and diversity practices.

Some FTI advisory clients request a preference for ESG or impact investing strategies. ESG and impact investing refer to the making of investments in companies, organizations, or funds with the goal of generating a social or environmental impact together with a financial return. FTI's Research Team works with some advisory clients to build impact portfolios or sleeves of portfolios. FTI's manager recommendations may be affected by a client's preference for ESG or impact investing strategies.

### *Investment Strategies*

FTI's core investment strategy and philosophy are based on the endowment model – structuring fully diversified portfolios that focus on strong and sustainable risk-adjusted returns over a long-term investment horizon. Of course, with unique investment objectives for each client, each portfolio is then highly customized to each client's needs.

FTI considers two broad factors when creating an investment strategy and portfolio: client-specific investment objectives and overall market research. Client-specific investment objectives include overall portfolio goals, risk tolerance, time horizon, liquidity needs, cash flow requirements, tax, legal, and entity considerations and any other client specific circumstances (such as impact/social investing preferences, if any). FTI's market research and quantitative analytics are then incorporated into the analysis of the portfolio. For new advisory clients, this process leads to the creation of an IPS, which typically provides specific guidelines for managing the portfolio, including any new entity structuring. For existing advisory clients, the focus during regular portfolio updates is on performance, sourcing, and tactical implementation.

A core goal of FTI's portfolio construction process is the optimization of risk-adjusted portfolio returns for a given amount of portfolio risk within the context of any client specific constraints. FTI incorporates qualitative and quantitative market research, which include factors such as the current economic environment, recent changes in liquidity, new market regulations and current efficiency in markets to generate expected returns. Then, by utilizing historical asset class volatilities and correlations to calculate a portfolio's risk, FTI can then run an optimization to create a portfolio for a specified risk profile.

Portfolio risk is regularly assessed along multiple dimensions of risk, including market risk, liquidity risk, concentration risk and franchise risk, among others. Diversification across risk factors is a key philosophy driving FTI's investment process and is performed using a number of custom-built analytics that help expose to portfolio advisors the underlying risks in a client portfolio.

### FTI Private Funds

The investment strategies that FTI may utilize for FTI Private Funds, as well as other information about an investment in a FTI Private Fund, including any investment restrictions, are described in the applicable Offering Documents as supplemented by information provided in this Brochure. Investors in those entities should refer to such materials and to information provided in this Brochure for a description of the investment strategy and related information.

## *Risk of Loss*

Investing in securities and other financial instruments involves risk of loss that advisory clients should be prepared to bear. All investments in securities involve substantial risk of volatility arising from numerous factors that are beyond the control of FTI, and investment managers utilized by FTI, including market conditions, changing domestic or international economic or political conditions, changes in tax laws and government regulation and other factors. Different parts of the market can react differently to these developments and the value of an individual security or particular type of security can be more volatile than, and can perform differently from, the market as a whole.

Below is a summary of potential material risks for the most common investment strategies used and/or the particular types of investments typically held in advisory client accounts. The risks noted below in most instances also are applicable to FTI Private Funds and separate accounts managed by third parties.

**The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment.** All investing involves a risk of loss, including the risk that the entire amount invested can be lost. The investment strategies offered by FTI could lose money over short or long periods of time. There are no assurances that FTI's investment strategies will succeed, and FTI cannot, and does not, give any guarantee that it will achieve the investment objectives it establishes or return capital.

Economic Conditions: Changes in economic conditions, including, for example, interest rates, inflation rates, currency and exchange rates, industry conditions, competition, technological developments, trade relationships, political and diplomatic events and trends, tax laws and innumerable other factors, can affect substantially and adversely the investment performance of a client's account. None of these conditions is or will be within the control of FTI, and no assurances can be given that FTI will anticipate these developments.

Equity Investments: Advisory clients can participate in equity securities investments. Stock market prices of securities can be adversely affected by many factors, such as an issuer's having experienced losses, the lack of earnings or the issuer's failure to meet the market's expectations with respect to new products or services. Stock prices can even be affected by factors wholly unrelated to the value or condition of the issuer. If the stock market declines in value, client portfolios are likely to decline in value. Furthermore, a focus on certain types of stocks (such as small or large capitalization) and styles of investing (such as value or growth) subjects client portfolios to the risk that their performance can be lower than the performance of portfolios that focus on other types of stocks or that have a broader investment style (such as the general market).

Debt Securities: Advisory clients can participate in the purchase and/or sale of unrated or below investment grade debt securities, which are subject to greater risk of loss of principal and interest than higher rated debt securities. These investments can include debt securities that rank junior to other outstanding securities and obligations of the issuer, which can have a superior claim for repayment from that issuer's assets. Further, some debt securities are not protected by financial covenants or limitations on additional indebtedness. In addition, evaluating credit risk for foreign debt securities involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Fixed-income securities are also subject to the risk that the securities could lose value because of interest rate changes. For example, bonds tend to decrease in value if interest rates rise. Fixed income securities

with longer maturities sometimes offer higher yields but are subject to greater price shifts as a result of interest rate changes than fixed-income securities with shorter maturities.

Real Estate Risk: Historically, real estate has experienced significant fluctuations and cycles in value and local market conditions which has in the past and likely will in the future result in reductions in real estate opportunities, value of real property interests and, possibly, the amount of income generated by real property. All real estate-related investments are subject to the risk attributable to, but not limited to: (i) inability to consummate investments on favorable terms; (ii) inability to complete renovation, expansion or development on advantageous terms; (iii) adverse government, environmental and tax regulations; (iv) leasing delays, tenant bankruptcies and low occupancy levels and lease rates; and (v) changes in the liquidity of real estate markets. Real estate investment strategies that employ leverage are subject to risks normally associated with debt financing, including the risk that: (a) cash flow after debt service will be insufficient to accumulate sufficient cash for distributions; (b) existing indebtedness (which is unlikely to be fully amortized at maturity) will not be able to be refinanced; (c) terms of available refinancing will not be as favorable as the terms of existing indebtedness; or (d) the loan covenants will not be complied with. It is possible that property could be foreclosed upon or otherwise transferred to the mortgagee, with a consequent loss of income and asset value.

Mutual Funds and ETFs: An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss. Shares of open-end mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or by a broker acting on a fund's behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholder fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV. Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares. Shares of closed-end funds have different risks than open-end funds. Like ETFs, closed-end funds trade on the market, generally not at NAV. Like a more typical security, the price may diverge from the NAV and sell at a discount or premium. In addition, closed-end funds are able to use more leverage than open-end funds and, therefore, may take on additional risk.

Short Sales: Some of the private investment funds and separate accounts that FTI recommends participate in short sales. A short sale involves the sale of a security that is not held in an account in the expectation of purchasing the same security (or a security exchangeable therefor) at a later date at a lower price. To make delivery to the buyer, the seller must borrow the security and the seller is obligated to return the security to the lender, which is accomplished by a later purchase of the security by the seller. A short sale involves the risk of a theoretically unlimited increase in the market price of the security sold short, which could result

in an inability to cover the short position and a theoretically unlimited loss to the seller. In addition, there is the risk that the securities borrowed in connection with a short sale must be returned to the securities lender on short notice. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a “short squeeze” can occur. The seller may be compelled to replace borrowed securities previously sold short with purchases on the open market at a disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short.

Foreign Investments: Some of the private investment funds and separate accounts FTI recommends invest in non-U.S. securities and other instruments denominated in non-U.S. currencies and/or securities traded outside of the United States. These investments present certain risks not typically associated with investing in United States securities or property. These risks include unfavorable currency exchange rate developments, restrictions on repatriation of investment income and capital, imposition of exchange control regulation by the United States or foreign governments, confiscatory taxation and economic or political instability in foreign nations. In addition, there is typically less publicly available information about certain non-U.S. companies than would be the case for comparable companies in the United States, and certain non-U.S. companies are not subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies. These risks are accentuated in emerging markets, where financial markets are generally less developed and transparent and where political and economic instabilities are often more pronounced.

Derivatives: Advisory clients can participate in investments in derivatives. These are financial instruments that derive their performance from the performance of an underlying index or asset. Derivatives can be volatile and involve various types and degrees of risks, depending upon the characteristics of a particular derivative. Derivatives typically entail investment exposures that are greater than their initial cost would suggest, meaning that a small investment in a derivative could have a large potential impact on the performance of a portfolio. Portfolios could experience losses if derivatives do not perform as anticipated, are not correlated with the performance of other investments being hedged by the derivatives, or if they cannot be liquidated because of an illiquid secondary market. Derivatives also typically make a portfolio less liquid and difficult to value, especially in declining markets. The benefit of a derivatives transaction can be lost if the counterparty fails to honor contract terms.

Counterparty Risk: To the extent that clients participate in investments in swaps, “synthetic” or derivative instruments, repurchase agreements, certain types of options or other customized financial instruments, or, in certain circumstances, non-U.S. securities, client accounts are indirectly subjected to the risk of non-performance by the other party to the contract. This risk includes credit risk of the counterparty and the risk of settlement default. This risk differs materially from the risks involved in exchange-traded transactions, which generally are supported by guarantees of clearing organizations, daily mark-to-market and settlement and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from these protections and expose the parties to the risk of counterparty default.

Leverage: Some of the private investment funds and separate accounts that FTI recommends employ leverage in their management of assets. Leverage tends to magnify both the positive impact of successful investment decisions and the negative impact of unsuccessful investment decisions on an investment strategy’s performance.

Commodity Trading: Some of the private investment funds and separate accounts that FTI recommends

participate in commodities trading. The prices of commodities and all derivative instruments, including futures and options contract prices, are highly volatile. Price movements of commodities, futures and options contracts are influenced by, among other things, changing supply and demand relationships, domestic and foreign governmental programs and policies, national and international political and economic events, interest rates and governmental monetary and exchange control programs and policies. Moreover, certain commodity exchanges limit fluctuations in commodity futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits”. During a single trading day, no trades can be executed on these exchanges at prices beyond the daily limit. Commodity futures contract prices have occasionally moved the daily limit for several consecutive days with little trading. Similar occurrences could prevent an account from promptly liquidating unfavorable positions and subject the client account to substantial losses.

Cybersecurity Risks: FTI’s information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltrations by unauthorized persons and security breaches, usage errors by its professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although FTI has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, FTI may have to make a significant investment to fix or replace them. The failure of these systems and/or disaster recovery plans for any reason could cause significant interruptions in FTI’s operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to clients. Such a failure could harm FTI’s reputation or subject it or its affiliates to legal claims and otherwise affect their business and financial performance. Additionally, any failure of FTI’s information, technology or security systems could have an adverse impact on its ability to manage its client’s accounts or the FTI Private Funds.

Outbreaks, Pandemics and Other Public Health Issues: In general, unexpected local, regional or global events, such as the spread of infectious illnesses or other public health issues and their aftermaths, could have a significant adverse impact on FTI’s operations (including the ability of FTI to find and execute suitable investments) and therefore client’s and the FTI Private Funds’ potential returns. In addition, such infectious illness outbreaks, as well as any restrictive measures implemented to control such outbreaks, could adversely affect the economies of many nations or the entire global economy, the financial condition of individual issuers or companies (including those that are held by, or are counterparties or service providers to, client and FTI Private Fund accounts) and capital markets in ways that cannot necessarily be foreseen, and such impact could be significant and long term. Moreover, the impact of infectious illnesses in emerging market countries may be greater due to generally less established healthcare systems. If such events occur, a client’s or FTI Private Fund’s exposure to a number of other risks described elsewhere in this Brochure can increase.

Valuation Risk: An advisory client’s account may directly or indirectly invest in securities for which reliable market quotations are not available. The process of valuing such securities is based on inherent uncertainties, and the resulting values may differ from values that would have been determined had readily available market quotations been available. As a result, the values placed on such securities by FTI may differ from values placed on such securities by other investors or a client’s custodian and from prices at which such securities may ultimately be sold. Where appropriate, third-party pricing information, which may be indicative of, or used as an input in determining, fair value may be used, but such information may at times not be available regarding certain assets or, if available, may not be considered reliable. Even if considered reliable, such third-party information might not ultimately reflect the price obtained for that security in a market

transaction, which could be higher or lower than the third-party pricing information. In addition, a client account may rely on various third-party sources to calculate its market value. As a result, a client's account is subject to certain operational risks associated with reliance on service providers and service providers' data sources.

**The risks described herein should not be considered to be an exhaustive list of all the risks which clients should consider.**

*Risk of Loss: FTI Private Funds*

The following is a summary of the material risks more specifically associated with investing in a FTI Private Fund. **Investors in a FTI Private Fund should review carefully the information provided below together with applicable Offering Documents for a description of the risks associated with investment in a FTI Private Fund.**

Activities of Investment Managers and Investment Funds: FTI will have no control over the day-to-day operations of any third party investment fund or investment manager. As a result, there can be no assurance that every investment fund or investment manager will invest on the basis expected by FTI. Furthermore, because FTI will have no control over any investment fund's or investment manager's day-to-day operations, clients may experience losses due to the fraud, poor risk management, or recklessness of the investment funds or the investment managers.

Because investments in the FTI Private Funds are concentrated in the underlying funds, and the FTI Private Fund's performance is directly related to the performance of the underlying funds held by it, the ability of a FTI Private Fund to achieve its investment goal is directly related to the ability of the underlying funds to meet their investment goals. In addition, investors in a FTI Private Fund will indirectly bear the fees and expenses of the underlying funds. Depending on the size of the investment made by a FTI Private Fund in an underlying fund and the timing of the redemption of such investment, an underlying fund could be forced to alter its portfolio assets significantly to accommodate a large redemption order. This could negatively impact the performance of the underlying fund as it may have to dispose prematurely of portfolio assets that have not yet reached a desired market value, resulting in a loss to the underlying fund. An underlying fund may engage in frequent trading of its portfolio securities, which may indirectly impact the FTI Private Fund's investment performance, particularly through increased brokerage and other transaction costs and taxes. Additionally, when valuing a FTI Private Fund and other products or accounts which invest in privately placed pooled investment vehicles managed by third-parties or other underlying funds sponsored by third-party managers, FTI generally relies on pricing information provided by the private fund or the fund's manager or other service provider. Although FTI expects that such persons will provide appropriate valuations, certain investments will likely be complex or difficult to value. FTI may also perform its own valuation analysis, but generally will not independently assess the accuracy of such valuations. Moreover, FTI may be unable to determine whether the underlying fund or its manager is following the investment program described in the underlying fund's offering documents.

Allocation Risks: Investment performance may depend largely on FTI's decisions as to strategic asset allocation and tactical adjustments made to the asset allocation. At times, FTI's judgments as to the asset classes in which clients should invest may prove to be wrong, as some asset classes may perform worse than others or the equity markets generally from time to time or for extended periods of time. With respect to certain FTI Private Funds, there may be circumstances in which FTI determines that an investment in an underlying fund would be an appropriate investment for more than one FTI Private Fund client, in which case FTI will make investment allocations in a fair and reasonable manner and in accordance with its



allocation policy and procedures.

Illiquid Securities; Special Investments: Investments in private placements, limited partnerships and limited liability companies involve additional risk of loss, including the risk of loss of a full investment. Because these types of investments involve certain additional degrees of risk, they will only be recommended when consistent with the client's stated investment objectives, tolerance for risk, and liquidity and suitability concerns. Clients are advised that these types of investments do not afford the same level of liquidity and/or marketability as traditional investments and may be subject to lock-ups and other liquidity restrictions.

## Item 9. Disciplinary Information

None.

## Item 10. Other Financial Industry Activities and Affiliations

FTI serves as the adviser, sub-adviser or is related by virtue of common ownership and control to entities that serve as general partners or managers to the FTI Private Funds. Please refer to Items 4 and 6 of this Brochure for additional details and important conflict of interest disclosures.

As stated previously, when suitable and consistent with pre-defined investment objectives, FTI recommends investments in the FTI Private Funds to certain eligible advisory clients. Please see Item 4. Such recommendations create a conflict of interest to the extent that FTI has an incentive to recommend its FTI Private Funds to its advisory clients in an effort to receive additional fees. FTI manages any such conflict of interest by waiving the Fund Management Fee with respect to investments in the FTI Private Funds by current advisory clients. Please also see Item 5 of this Brochure for additional information about fees. Certain of FTI's affiliates serve as general partner of the FTI Private Funds but do not receive any additional compensation to serve the FTI Private Funds in such capacity.

As stated previously, FTI is a subsidiary of a trust company, FTCI, and acts as sub-adviser to FTCI and certain FTCI Affiliates, whereby it manages the assets of some of their clients, the Sub-Advisory Clients.

FTI is an indirect wholly-owned subsidiary of Franklin Resources, Inc., a holding company with various subsidiaries that operate under the Franklin Templeton brand name ("Franklin Templeton Affiliates"). These Franklin Templeton Affiliates, which are all related persons of FTI, include an SEC-registered broker-dealer and SEC-registered investment advisory firms.

One of these Franklin Templeton Affiliates, Franklin Distributors, LLC ("FD"), is a registered broker-dealer and acts as placement agent for certain of the FTI Private Funds and receives no compensation for acting in such capacity. In connection with this activity, certain employees of FTI serve as registered representatives of FD. Such employees' responsibilities as registered representatives of FD are limited to the distribution of interests in those FTI Private Funds for which FD serves as placement agent. These employees are not separately compensated for performing these services.

Some of the Franklin Templeton Affiliates act as distributors to and sponsors of registered investment

companies (mutual funds) and pooled investment vehicles other than the FTI Private Funds and may receive compensation for such services. Such compensation is paid to such affiliates by one or more of (i) the pooled investment vehicles or mutual funds themselves, (ii) the underwriters, sponsors or placement agents for the pooled investment vehicles or mutual funds, (iii) the advisers or sponsors to such funds or (iv) the investors in such funds. Details of such compensation arrangements will generally be disclosed in the offering documents relating to the particular pooled investment vehicle or mutual fund.

Other than as set forth above, FTI and its management personnel presently do not have any arrangements with any other Franklin Templeton Affiliates which are material to FTI's advisory business or to its advisory clients or the FTI Private Funds. Because FTI is affiliated with these Franklin Templeton Affiliates and a number of them are asset management, broker-dealer, distribution and service entities, FTI occasionally may engage in business activities with some of these affiliates, subject to FTI's policies and procedures. Given that Franklin Templeton Affiliates are equipped to provide a number of services and investment products to FTI clients, subject to applicable law, advisory clients of FTI may on their own engage one or more of Franklin Templeton Affiliates to provide any number of such services, including advisory, custodial or brokerage, or may invest in the investment products provided or sponsored by a Franklin Templeton Affiliate. The relationships described herein could give rise to potential conflicts of interest or otherwise have an adverse effect on FTI's advisory clients. For example, when acting in a commercial capacity, a Franklin Templeton Affiliate may take commercial steps in their own interests, which may be adverse to those of FTI's advisory clients.

FTI generally does not direct any brokerage business for advisory client accounts to any Franklin Templeton Affiliate that is a registered broker-dealer. However, should FTI decide to use any affiliated broker-dealer to execute advisory client transactions, it will do so in accordance with the applicable rules and regulations that govern such activity.

Given the interrelationships among FTI and the Franklin Templeton Affiliates and the changing nature of the Franklin Templeton Affiliates' businesses and affiliations, there may be other or different potential conflicts of interest that arise in the future or that are not covered by this discussion.

As disclosed in Item 5, we engage certain FTI employees to provide administrative and accounting services for certain FTI Private Funds; however, the fees charged by these FTI employees are reasonable and do not exceed those charged by unaffiliated third parties providing the same or similar services. Professional services provided by such FTI employees are entirely separate and distinct from our investment advisory services and fees. We do not receive any fees related to referring the FTI Private Funds to these employees for these administrative or accounting services.

#### Conflicts Related to Managing Different Client Accounts

Under certain circumstances, an advisory client will make an investment in which one or more other advisory clients are expected to participate, or already have made, or will seek to make, an investment in the same security. Such clients may have conflicting interests and objectives in connection with such investments, including with respect to views on the operations or activities of the issuer involved—and the timeframe for, and method of, exiting the investment. When making such investments, FTI may do so in a way that favors one advisory client over another advisory client, even if both advisory clients are investing in the same security at the same time. For example, if two advisory clients have different time horizons, and the advisory client with a shorter time horizon sells its interest first, this sale could affect the value of the investment in the company held by the advisory client with the longer time horizon. FTI has no obligation to provide the same investment advice or to purchase or sell the same securities for each advisory client.

Differing facts and circumstances among advisory clients will, from time to time, result in FTI giving advice and taking action with respect to one advisory client that differs from action taken on behalf of another advisory client. However, such differing actions are subject to applicable policies and procedures adopted by FTI and are guided by FTI's fiduciary duty to act in each advisory client's best interests.

#### Conflicts Related to Affiliated Funds, Affiliated Products, and FTI Private Funds

FTI may recommend to advisory clients or invest advisory clients in funds that are registered investment companies, such as mutuals funds and ETFs, which are sponsored, advised or sub- advised by Franklin Templeton Affiliates or in which Franklin Templeton Affiliates or their personnel may have an ownership or management interest ("Affiliated Funds"). When FTI purchases shares of an Affiliated Fund, FTI will waive its advisory fee with respect to advisory client assets invested in the Affiliated Fund. In this instance, (a) the advisory client will be required to pay fees at the Affiliated Fund level (such as a management fee and other fund expenses) to an affiliate of FTI and (b) the advisory client may be able to purchase Affiliated Fund shares directly without using the services of FTI. Neither FTI nor any affiliate receives any Rule 12b-1 distribution or shareholder servicing fees from any affiliate attributable to investing client assets in any Affiliated Fund.

FTI may discuss with and/or recommend to advisory clients Affiliated Products that FTI believes are appropriate for an advisory client's investment strategy and portfolio. FTI is responsible for due diligence, performance monitoring, and asset allocation advice with respect to any Affiliated Product. Advisory clients sign separate agreements with the respective Franklin Templeton Affiliates related to such Affiliated Products, and the portion allocated to the Affiliated Product is considered part of the portfolio that FTI oversees. In addition, FTI may purchase certain Affiliated Products for a FTI Private Fund in its discretionary capacity as investment manager of a FTI Private Fund or upon an advisory client's instruction.

#### Allocation of Investment Opportunities

In general, FTI has discretion to allocate investment opportunities among its advisory clients subject to each advisory client's respective investment guidelines and restrictions, FTI's duty to act in good faith and applicable law. The advisory agreements entered into by FTI with each advisory client do not entitle advisory clients to obtain the benefit of any particular investment opportunity that is developed by FTI, or its officers or employees, where FTI determines in good faith that such client should not invest.

It is FTI's policy that all investment opportunities, to the extent practicable, be allocated among its clients (including the FTI Private Funds) on a basis that over a period of time is fair and equitable to each respective client relative to other clients, taking into account all relevant facts and circumstances, including (without limitation and as applicable): (i) the investment objectives; strategies, guidelines and restrictions of each client, as governed by the client's IPS; (ii) the relevant allocation of investment opportunity provisions in a client's governing documents; (iii) differences with respect to available capital (e.g., current or anticipated capital available for investment, including anticipated follow-on investments, if applicable), size, and remaining life of the client; (iv) potential conflicts of interest, including whether a client has an existing investment in the opportunity in question; (v) the nature of the investment opportunity, including the size, minimum investment amounts and source of the opportunity; (vi) current and anticipated market conditions; (vii) portfolio diversification with each client; and (viii) tax, legal, or regulatory considerations.

If there is not sufficient capacity granted by the investment manager to meet FTI's aggregate investment amount, then FTI makes allocation determinations in accordance with FTI's allocation policies and procedures to distribute the opportunity fairly. In general, to the extent an opportunity is appropriate for both

a FTI Private Fund and for an advisory client not investing through a FTI Private Fund, the FTI Private Fund is prioritized for the opportunity.

#### Allocation of Fees and Expenses

A conflict of interest will, from time to time, arise with respect to FTI's determination of whether certain costs or expenses (or portions thereof) that are incurred are expenses for which an advisory client is responsible, or are expenses that should be borne by one or more other advisory clients or FTI Private Fund or FTI or its affiliates. For example, FTI will have an incentive to classify expenses as borne by an advisory client as opposed to FTI. This conflict of interest is diminished by the terms of the advisory agreement between the advisory client and FTI, which generally states which fees and expenses may be charged to the advisory client versus paid for by FTI or its affiliates. In addition, FTI will seek to allocate shared expenses in a fair, balanced and reasonable manner over time among advisory clients in accordance with applicable agreements and policies and procedures. Nonetheless, because such allocations require judgments as to methodology that FTI makes in good faith but in its sole discretion, the portion of an expense that FTI allocates to an advisory client will not necessarily reflect the relative benefit derived by that advisory client in each instance.

#### Allocation of Adviser Resources

FTI provides investment advisory services to numerous advisory clients and the FTI Private Funds. FTI's services are not exclusive to any of its advisory clients. In order for FTI to adhere to applicable fiduciary obligations to its clients as well as to address and/or alleviate conflicts of interest or regulatory issues, it may not be possible or appropriate for FTI to allocate to a particular client all of the resources that might be relevant to make particular investment decisions for such client. These resource limitations could result in FTI making investment or other decisions for a particular client that are different from the decisions it would make if there were no limitations. Although FTI's personnel will devote as much time to each investment as deemed appropriate, they may have conflicts in allocating their time and services among each investment and other clients advised by FTI. To the extent that FTI receives higher fees than it does with respect to other clients generally, FTI will have an economic incentive, even if FTI does not act on such incentive, to allocate additional resources or investment professionals to such client and, to the extent such resources are limited, away from other clients. In practice, however, allocation of additional resources or investment professionals will generally be guided by FTI's fiduciary duty to act in each client's best interests.

#### Cross Trades

FTI does not intend to engage in cross transactions under normal circumstances and will never engage in cross transactions in publicly traded securities. It may on occasion engage in cross transactions in privately offered securities but will only do so in accordance with applicable law and only when FTI determines that a sale of positions from one advisory client to another is in the best interests of both advisory clients.

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

#### The FT Code of Ethics - Summary

FTI has adopted the Code of Ethics of Franklin Templeton ("FT Code of Ethics"), and all employees are subject to it. The FT Code of Ethics is applicable to all officers, directors, and employees of Franklin

Resources and its U.S. and non-U.S. subsidiaries and affiliates, including FTI and other registered investment advisers affiliated with Franklin Resources (collectively, the “Advisers”). The Advisers are also subject to a personal investments and insider trading policy (the “Personal Investments Policy”), which serves as a code of ethics adopted by Franklin Templeton pursuant to Rule 204A-1 under the Advisers Act and Rule 17j-1 of the Investment Company Act of 1940.

The Personal Investments Policy states that the interests of advisory clients are paramount and come before any employee. All Covered Employees (as defined below) are required to conduct themselves in a lawful, honest and ethical manner in their business practices and to maintain an environment that fosters fairness, respect and integrity. “Covered Employees” include the Advisers’ partners, officers, directors (or other persons occupying a similar status or performing similar functions), and employees, as well as any other person who provides advice on behalf of the Advisers and are subject to the supervision and control of the Advisers. The personal investing activities of Covered Employees must be conducted in a manner that avoids actual or potential conflicts of interest with the clients of the Advisers. Covered Employees are required to use their positions with the Advisers and any investment opportunities they learn of because of their positions with the Advisers in a manner consistent with their fiduciary duties to use such opportunities and information for the benefit of the Advisers’ clients and with applicable laws, rules and regulations.

In addition, the Personal Investments Policy states that information concerning the security holdings and financial circumstances of the Advisers’ clients is confidential and Covered Employees are required to safeguard this information. Additionally, Access Persons, a subset of Covered Employees, are required to provide certain periodic reports on their personal securities transactions and holdings. “Access Persons” are those persons who have access to non-public information regarding the securities transactions of the Advisers’ funds or clients; are involved in making securities recommendations to clients; have access to securities recommendations that are non-public; or have access to non-public information regarding the portfolio holdings of funds for which an adviser serves as an investment adviser or a sub-adviser or any fund whose investment adviser or principal underwriter controls an adviser, is controlled by an adviser or is under common control with an adviser. The Advisers’ Access Persons must obtain pre-clearance from compliance before buying or selling any security (other than those not requiring pre-clearance under the Personal Investments Policy).

The Personal Investments Policy also requires pre-clearance before investing in a private investment or purchasing securities in a limited offering. The Personal Investments Policy generally prohibits Access Persons from investing in initial public offerings (“IPOs”); however, such investments may be permissible in certain circumstances or jurisdictions with prior approval from compliance. To avoid actual or potential conflicts of interest with the Advisers’ clients, certain transactions and practices are prohibited by the Personal Investments Policy. These include: front-running, trading parallel to a client, trading against a client, using proprietary information for personal transactions, market timing, and short selling Franklin Resources stock and the securities of Franklin Templeton closed-end funds.

The Personal Investments Policy requires prompt internal reporting of suspected and actual violations of the Personal Investments Policy. In addition, violations of the Personal Investments Policy are referred to the Vice President of Global Compliance and/or the Chief Compliance Officer as well as the relevant management personnel. The Advisers maintain a “restricted list” of securities in which the Advisers’ personnel generally may not trade. The restricted list is updated as necessary and is intended to prevent the misuse of material, non-public information by their employees. In addition to continuous monitoring, compliance will conduct forensic testing or auditing of reported personal securities transactions to ensure compliance with the Personal Investments Policy. No Covered Employee or Access Person may trade while in possession of material, non-public information (“MNPI”) or communicate MNPI to others. Information

is considered material if there is a substantial likelihood that a reasonable investor would consider the information to be important in making his or her investment decision, or if it is reasonably certain to have a substantial effect on the price of the company's securities. Information is non-public until it has been effectively communicated to the marketplace. If the information has been obtained from someone who is betraying an obligation not to share the information (e.g., a company insider), that information is very likely to be non-public. The Advisers have implemented a substantial set of personal investing procedures designed to avoid violation of the Personal Investments Policy. Copies of the Personal Investments Policy are available to any client or prospective client upon request by emailing FTI's Chief Compliance Officer at [rebecca.gompper@fiduciarytrust.com](mailto:rebecca.gompper@fiduciarytrust.com).

## Item 12. Brokerage Practices

In general, FTI places advisory client trades only with the custodian selected by an advisory client. For the FTI Private Funds, any trades effected are typically directly in other funds or in privately offered securities.

### Research and Other Soft Dollar Benefits

Consistent with applicable law, advisers may pay commissions to broker-dealers at a level which may be higher than those charged by other broker-dealers for the same trades. The difference in commission rates is known as "soft dollars." These higher commission rates may be paid if the adviser determines in good faith that the amount of commission is reasonable in relation to the value of the brokerage and research services provided by the executing broker viewed in terms of the adviser's responsibilities to its clients. FTI does not have any soft dollar arrangements with any broker-dealers and does not pay any soft dollars to any broker-dealer in connection with its clients' securities trades.

Some of the Franklin Templeton Affiliates who are advisers do have soft dollar arrangements with broker-dealers and pursuant to these arrangements receive certain research reports. Due to its affiliation with these Franklin Templeton Affiliates, FTI will have access to these research reports and may utilize such reports in connection with its advisory services to its clients. The availability of these research reports is not dependent however on the number or types of trades FTI executes on behalf of its clients and does not obligate FTI to direct trades to the broker-dealer publisher or supplier of such reports.

### Directed Brokerage

If a new advisory client has a pre-existing relationship with a broker and instructs FTI to execute some or all transactions through that broker, FTI will not have the authority to negotiate commissions or obtain volume discounts and may not achieve best execution for that client. Under these circumstances a disparity in commission charges may exist between the commissions charged to that client and other clients because FTI will not be able to aggregate orders to reduce transaction costs and the client may receive less favorable prices.

### Trade Aggregation

In limited circumstances, FTI aggregates client trades when doing so is advantageous to clients. Typically, FTI will batch client transactions to receive volume discounts and to obtain better and more uniform pricing across client accounts. If FTI determines that aggregation of trades in a certain situation will be beneficial to clients, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed from each client account on any given day.

### Trade Errors

It is possible that a trade error, such as trading the wrong security or the wrong number of shares, may occur. In such case, it is FTI's policy to make its client whole, that is, to prevent the client's account from being impacted as a result of the error. FTI does not retain any client trade error gains. Clients should be aware that certain brokerage firms' policy require any trade error gain to be maintained to net against losses or donated to a charity.

FTI is subject to a conflict of interest in determining whether or to what extent to report and/or to correct a trade error or other error to a client in order to avoid incurring the cost of a correction. In general, trade errors at FTI occur infrequently. FTI maintains a Trade Error Policy that assists in the review and reporting of trade errors and requires investment personnel to review portfolio transactions regularly and promptly to identify and report any such errors to the Chief Compliance Officer.

## Item 13. Review of Accounts

FTI's Managing Directors and members of its Portfolio Management and Research Teams are primarily responsible for reviewing advisory client accounts. These individuals work together to monitor the underlying securities in client accounts as well as the performance of third-party managers selected for advisory client accounts and perform at least quarterly reviews of account holdings and performance for all clients. All accounts are reviewed for consistency with stated investment strategy, asset allocation, risk tolerance and performance relative to the appropriate benchmark. More frequent reviews may be triggered by changes in an account holder's personal, tax or financial status. FTI Private Fund positions are reviewed in the overall context of the FTI Private Funds' investment objectives and guidelines. Significant domestic, geopolitical and macroeconomic events may also trigger reviews. FTI's reviewers consult with the advisory client's other investment managers, if any, on a regular basis.

In addition to the periodic statements and confirmations of transactions that advisory clients receive from their qualified custodian, FTI provides periodic reports (typically quarterly) which detail investment activity, investment holdings, portfolio performance, comparison of the current asset allocation to target allocation and market overview. Selected third-party managers may provide additional reports to advisory clients. Additional reports are provided to advisory clients upon request. FTI's reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

FTI Private Funds' limited partners or members receive, as soon as practicable after the end of each taxable year (or as otherwise required by law), annual reports containing financial statements audited by the funds' independent auditor as well as such tax information as is necessary for each limited partner or member to complete federal and state income tax or information returns, along with any other tax information required by law.

## Item 14. Client Referrals and Other Compensation

FTI and its related persons may compensate third parties for referrals of advisory clients to FTI. FTI does not accept compensation in exchange for making a referral of an advisory client to another firm or advisor.

Certain FTI employees and Related Persons are eligible to receive, from time to time, additional

compensation, in the form of a one-time cash payment, through FTCI's New Business Award Incentive Plan for referring new advisory accounts to FTI or for increasing the assets under management of current advisory clients.

Certain Related Persons are eligible to receive additional compensation, paid over three years, through FTCI's Wealth Director Incentive Plan for referring new advisory clients to FTI.

To the extent required, such arrangements will be in compliance with the Advisers Act.

## Item 15. Custody

Although FTI does not have physical custody of advisory client assets, it is deemed to have custody of some accounts by operation of the SEC's Custody Rule, Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). FTI and its affiliates also are general partners or managers of the FTI Private Funds, and as such, also are deemed to have custody of the assets of the FTI Private Funds. In accordance with the Custody Rule, accounts over which FTI is deemed to have custody are subject to an annual surprise examination by an independent public accountant and the FTI Private Funds undergo an annual financial statement audit.

In most instances, advisory client assets are held at unaffiliated qualified custodians. Client assets may be held with an affiliated qualified custodian when FTI provides investment advisory services to a custodial client of FTCI or sub-advisory services to a client of FTCI or an FTCI Affiliate.

We are not party to any of the affiliated custodian's services and do not receive compensation in relation to these arrangements.

FTI's reports to advisory clients are prepared in part using statements from third-party managers and/or custodians. FTI encourages advisory clients to compare reports from FTI with any statements received from third-party managers or qualified custodians and carefully review these statements.

## Item 16. Investment Discretion

For clients granting FTI discretionary authority to determine which third-party managers to retain and which securities and the amounts of securities that are to be bought and sold for their account(s), FTI requests that such authority be granted in writing, typically in the executed advisory agreement or IPS. FTI is granted discretionary authority in the relevant organizational and offering documents of the FTI Private Funds to determine which securities and the amounts of securities that are to be bought or sold for the FTI Private Funds. The FTI Private Funds' documents impose restrictions on investing in certain securities, types of securities or industry sectors. For any sub-advised fund(s), FTI's discretionary authority is granted in the sub-advisory agreement between FTI and the manager of the sub-advised fund. For the Sub-Advisory Clients, FTI's discretionary authority is granted in the sub-advisory agreement between FTI and FTCI or the FTCI Affiliates.

If an advisory client wishes to impose reasonable limitations on FTI's discretionary authority, such limitations typically are included in the advisory agreement and/or the IPS. Advisory clients are free to amend or revoke any such limitations.



## Item 17. Voting Client Securities

FTI does not vote proxies on behalf of advisory clients. Advisory clients receive proxies and other solicitations directly from the qualified custodian or transfer agent and retain sole responsibility for voting. FTI may offer assistance with proxy matters upon an advisory client's request, but the advisory client retains proxy voting responsibility. In the event an advisory client directs a custodian to mail proxy statements directly to FTI, the advisory client signs an acknowledgement stating that FTI is not responsible for exercising voting rights.

FTI will neither advise nor act on behalf of the advisory client in legal proceedings involving companies whose securities are held in the advisory client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, advisory clients may direct FTI to transmit copies of class action notices to the advisory client or a third party. Upon such direction, FTI will make commercially reasonable efforts to forward such notices in a timely manner.

## Item 18. Financial Information

FTI does not require or solicit fees in excess of \$1,200 per advisory client, six or more months in advance of services rendered.

FTI has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to advisory clients and has not been the subject of a bankruptcy proceeding.