

Item 1 - Cover Page

Form ADV Part 2A

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This Brochure provides information about the qualifications and business practices of Lazard Asset Management LLC (“LAM”). If you have any questions about the contents of this Brochure, please contact us at (212) 632-6000. 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.

LAM is registered as an investment adviser with the SEC. Registration as an investment adviser does not imply any level of skill or training.

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

## Item 2 – Material Changes

There have been no material changes to LAM’s Form ADV Part 2A (commonly referred to as the “Brochure”) since the most recent annual amendment dated March 2018. The Brochure reflects (i) the addition of certain new investment strategies to the firm’s investment options; (ii) certain changes to LAM’s cross and agency cross transaction procedures; (iii) revisions to the proxy voting procedures described in Item 17; and (iv) the establishment of LAM’s Alternative Investments Group.

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## Item 4 – Advisory Business

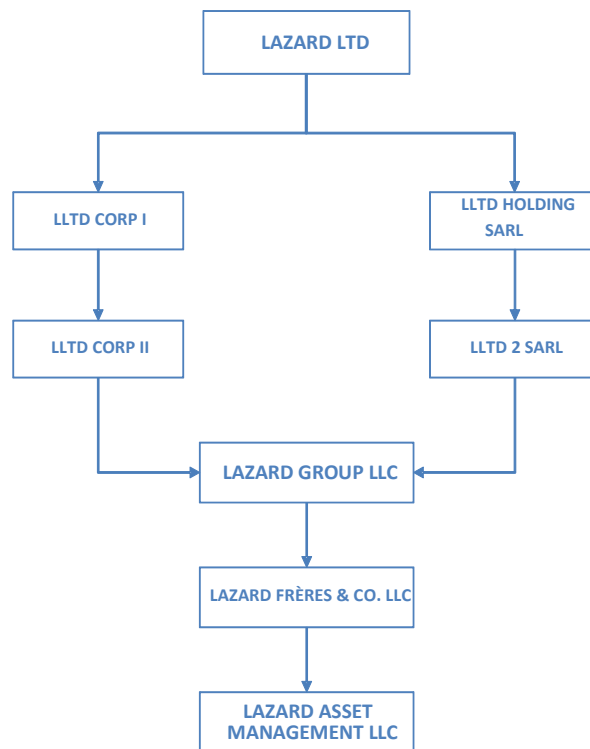
### *History of the Firm*

In 1848, the Lazard brothers formed a dry goods company which eventually became the firm now known as Lazard Frères & Co. LLC (“LF&Co.”). On May 1, 1970, Lazard Asset Management was formally established as the investment management division of LF&Co. and registered with the SEC as an investment adviser. On January 13, 2003, LAM was established as a separate subsidiary of LF&Co. and succeeded to the entire investment management business previously conducted as a division of LF&Co.

LAM is a Delaware limited liability company and a wholly-owned subsidiary of LF&Co., a New York limited liability company with one member, Lazard Group LLC, a Delaware limited liability company. Interests of Lazard Group LLC are indirectly held by Lazard Ltd, a Bermuda corporation whose shares are publicly traded on the New York Stock Exchange (“NYSE”) under the symbol “LAZ.”

### *Principal Owners*

The following organizational chart depicts the principal owners of LAM:



## *LAM AUM*

As of December 31, 2018, LAM had regulatory assets under management of approximately \$140.2 billion, \$139.9 billion of which was discretionary and \$362.9 million of which was non-discretionary. However, these figures do not capture assets that LAM manages via model portfolio arrangements, which are, by their nature, non-discretionary. These figures also do not capture assets with respect to which LAM provides asset class allocation recommendations but does not have the authority to implement trades. LAM characterizes these as “assets under advisement.” As of December 31, 2018, LAM managed approximately \$15.7 billion through such non-discretionary model portfolio arrangements and \$9.2 billion through such non-discretionary asset class allocation arrangements. As of December 31, 2018, LAM, together with its global subsidiaries, managed a total of approximately \$192.8 billion in assets under management.

## *Description of Advisory Services*

For over forty years, LAM has provided a wide array of investment advisory services and products to a variety of clients. LAM focuses on delivering exceptional client services and consistent application of its investment philosophies and processes. LAM takes a disciplined approach to investing on behalf of its clients and maintains a deep and creative team of investment professionals responsible for research and portfolio management.

LAM manages assets according to a variety of equity, fixed income and alternative investment strategies, including among them investment strategies focusing on global, regional and international equity, U.S. equity, U.S. and global fixed income, and emerging markets equity and debt. LAM’s alternative investment products include convertible event, emerging market currency and debt, and long/short equity strategies, among others. LAM provides investment advisory services to a variety of clients, including individuals, financial and other institutions, endowments, foundations, corporations, Taft-Hartley plans, public funds, wrap programs, model-based programs, mutual funds, private funds, alternative investment funds and other types of investment vehicles.

LAM manages client assets, primarily on a fully discretionary basis, pursuant to an investment management agreement under which it advises each such client, according to LAM’s best judgment, as to the investment and reinvestment of the cash and securities in the client’s account(s). In exercising its judgment in managing client accounts, LAM takes into account the individual objectives, restrictions and guidelines of each client, as agreed with the client, and other factors deemed relevant by the client and disclosed to LAM, such as the nature and amount of other assets and income from other sources. In addition, LAM furnishes investment advisory services to registered open- and closed-end investment companies and private funds, including hedge funds and commingled funds and trusts, based on the investment objectives and restrictions as set forth in each fund’s prospectus or offering document.

Additionally, LAM will assist clients in the review, evaluation and/or formulation of investment guidelines for the account and may collect information about each client’s financial circumstances, objectives, risk tolerance and restrictions. Separately managed account clients may impose reasonable restrictions on investments in particular securities and/or types of securities. LAM has adopted policies and procedures designed to ensure compliance with such restrictions. LAM’s automated system is not capable of

monitoring certain types of client-imposed guidelines. Consequently, while LAM may accept these types of restrictions, LAM will manually monitor such guidelines on a periodic basis.

### *Proxy Voting*

Generally, LAM is granted proxy voting authority under its client agreements. However, it is the responsibility of the custodian appointed by the client to ensure that LAM receives notice of the relevant proxies sufficiently in advance of the relevant meeting to allow LAM to vote. This is especially true with respect to wrap programs in which LAM serves as an investment adviser. LAM is not responsible for voting proxies if it does not receive timely notice from the client's custodian, or in the case of wrap programs, the program sponsor. Please refer to Item 17 for more information on LAM's proxy voting policy.

### *Sweep Arrangements*

In certain cases, uninvested cash held by LAM's advisory clients will be "swept" temporarily into one or more money market mutual funds or other short-term investment vehicles offered by the client's custodian, which will typically be a short-term investment fund. Generally, sweep arrangements are made between the client and the client's custodian, typically with the client responsible for selecting the sweep vehicle. LAM's sole responsibility in this regard is to issue standing instructions to the custodian to sweep excess cash in the client's account into the sweep vehicle. In circumstances where the client has not made arrangements with its custodian, LAM will consult with the client regarding an appropriate sweep vehicle from those made available by the custodian, with the ultimate decision being made by the client. In exceptional circumstances, LAM will select an appropriate sweep vehicle from those made available by the custodian. However, LAM does not actively manage the residual cash in client accounts and will not be responsible for monitoring the sweep vehicle into which such residual cash is swept.

Any client whose assets are "swept" into a money market mutual fund or other short-term investment vehicle or other unaffiliated fund will continue to pay LAM's regular advisory fee plus a management fee to the manager of such fund or short-term investment vehicle on the portion of the account assets invested in the money market mutual fund, short-term investment vehicle or other unaffiliated fund. Except to the extent prohibited by applicable law, LAM receives and retains all or a portion of the 12b-1 distribution/servicing fees paid by such vehicles or other unaffiliated fund. In addition, clients whose assets are "swept" into a money market mutual fund, other short-term investment vehicle or other unaffiliated fund should be aware that their investment may significantly be affected depending on the interest rate environment and other factors.

### *Foreign Currency Exchange ("FX") Transactions*

Frequently, LAM's clients instruct their custodians to be responsible for executing FX transactions for accounts managed by LAM. However, for client accounts that have delegated such responsibility to LAM, LAM (as agent) will arrange for its FX desk to execute spot FX transactions in unrestricted currencies. In such cases, LAM's FX desk will then arrange for the execution of the FX on the terms that LAM has negotiated through the FX sales desk at the client's custodian bank or through a third-party broker

depending upon the instructions LAM receives from the client. When actively managing FX trades across numerous accounts, LAM may (through instructions to counterparties or on its own) net client purchases and client sales in the same currency to reduce LAM's clients' transaction costs. Because of various limitations imposed by non-U.S. authorities and other parties, transactions in restricted currencies will continue to be effected by each client's custodian pursuant to standing instructions. Each client's custodian also will be responsible for executing all other types of FX transactions pursuant to standing instructions, such as those related to dividend and interest repatriation.

In cases where a client has not requested that LAM handle arrangements for the settlement of transactions in non-U.S. securities, LAM will instruct the client's custodian to effect the necessary FX transaction. This is done either through standing instructions communicated to the custodian bank when the account is established or at the time settlement instructions are sent to the custodian bank for a particular transaction. In those cases, the custodian bank is responsible for executing FX transactions, including the timing and applicable rate of such execution pursuant to its own internal processes. Where custodian banks execute FX transactions based on standing instructions, LAM will not know the precise execution time of the FX trade and cannot influence the exchange rates applied to those trades. Currently, for clients' assets custodied with State Street (as defined herein) or clients who have requested that LAM handle spot FX through their custodian, the rates for FX transactions are generally negotiated in an active manner by LAM, multiple times throughout the day, then executed by the custodian bank's FX desk at LAM's instruction. Where custodian banks execute FX transactions based on standing instructions, LAM will not know the precise execution time of the FX trade and cannot influence the exchange rates applied to those trades.

#### *Wrap Fee Programs*

From time to time, clients of broker-dealers or other financial institutions retain LAM under so-called "wrap fee" programs offered by those institutions where LAM is selected as an investment adviser for the client's program account. The broker-dealer or financial institution generally arranges for payment of LAM's advisory fee on behalf of the client, monitors and evaluates LAM's performance and, in certain cases, provides custodial services for the client's assets, all for a single fee paid by the client to the broker or other financial institution.

In addition, LAM participates in programs where it enters into advisory agreements directly with the clients of wrap program sponsors, which are sometimes known as "dual contract" wrap arrangements. Under both types of arrangements, LAM often has the ability to execute all trades. In such cases, LAM expects that a substantial percentage, if not all, of the wrap client's transactions will be executed with a broker selected by LAM and then "stepped-out" to the wrap program sponsor, which may incur additional fees for the client.

Although this is generally descriptive of the manner in which these programs operate and LAM's role, an individual wrap program may contain terms and conditions that cause it to operate somewhat differently than the descriptions above. In general, LAM's role as a portfolio manager participating in wrap programs is substantially similar to its role in managing other separately managed accounts in that LAM will manage each account in accordance with the model portfolio utilized by the LAM investment strategy chosen by the client or sponsor, subject to client-imposed guidelines; however, LAM may not always manage wrap

program accounts identically to the way it manages separate accounts. For example, wrap program accounts generally will not participate in initial public offerings.

A client who participates in a wrap fee arrangement with a wrap fee program sponsor should consider that, depending on the level of the wrap fee charged by the wrap fee program sponsor, the amount of portfolio activity in the client's account, the value of custodial and other services which are provided under the arrangement, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately.

### *Model Portfolios*

LAM also participates in programs, sometimes referred to as “model programs” or “UMA programs,” where it provides a model securities portfolio to another asset management firm, which then executes trades for retail client accounts based upon the model. LAM also enters into non-discretionary investment advisory agreements with other types of clients, typically institutional clients, to provide models that those clients may use to construct securities portfolios (together with a model program sponsor or overlay manager receiving model portfolio holdings, each, a “Model Recipient”). In these situations, LAM typically does not have discretion to manage accounts for the Model Recipient. Rather, LAM generally is responsible only for providing the updated model portfolio on a periodic basis and is compensated based on a percentage of total assets of the accounts of, sponsored or managed by, the Model Recipients. In some cases, LAM will effect trades for the Model Recipient, consistent with the final investment decisions made by the Model Recipient. Typically, the Model Recipient (and not LAM) is responsible for effecting trades recommended under the model. Please refer to Item 12 for additional information about LAM's model portfolio arrangements and for information regarding how LAM communicates model portfolio holdings to clients under different circumstances and LAM's trading processes.

### *Asset Class Allocation Recommendations*

LAM also offers asset class allocation recommendations to clients. Under a particular non-discretionary investment advisory engagement, LAM provides advice on a periodic basis regarding the allocation of the client's assets across various asset classes using a LAM Multi-Asset investment strategy, subject to specific allocation parameters communicated by the client to LAM. LAM is responsible only for providing recommendations across asset classes (and not with respect to individual securities), which the client may either accept and implement on behalf of its portfolio or reject. LAM does not have discretion to manage any of the client's assets that are the subject of the arrangement, nor does it have any other duties or responsibilities, such as proxy voting, with respect to the client. Accordingly, transactions in securities by the client may be in the market at the same time as transactions by LAM in the same securities. As noted earlier, LAM characterizes assets managed pursuant to these asset allocation strategies as “assets under advisement.”

### *Volatility Targeting Investment Strategies (Lazard VOLT®)*

LAM may also deliver model portfolios to participating intermediaries consisting exclusively of investments in the shares of the portfolios of The Lazard Funds, Inc. (“LFI”), an open-end management investment company registered under the Investment Company Act of 1940 (the “1940 Act”) managed by LAM (the “Portfolios”). Presently, the Lazard VOLT® strategy delivers model portfolios designed to manage market volatility to various limits (e.g., 6%, 10%, 14%). The model portfolios are constructed and maintained by LAM’s Multi-Asset portfolio management team, with changes to the model portfolios approved by LAM’s Compliance department under a process designed to ensure satisfaction of investment guidelines and the management of conflicts arising from LAM recommending the purchase and sale of shares in the Portfolios. Currently, LAM does not charge a model delivery fee, or similar management fee, to intermediaries agreeing to make the strategy available to clients or to clients investing directly in the strategies. Compensation to LAM in connection with the Lazard VOLT® strategies is currently derived solely from the Portfolios’ management fees. In an effort to address potential conflicts associated with the activities of LAM’s Multi-Asset team, including its administration of the Lazard VOLT® strategies, LAM’s Asset Allocation Committee oversees allocation decisions made by the Multi-Asset team. Such potential conflicts could arise, for example, from allocations to Portfolios with higher management fees than others, as well as the potential to allocate to Portfolios also managed by the Multi-Asset team.

### *Third-Party Service Providers and Other Relationships*

LAM’s services to clients rely in part on services received from third-party vendors, especially with respect to certain technology and operations functions. LAM monitors the services received from these providers and has developed practices to escalate issues so they are resolved in a timely manner. Despite LAM’s efforts, there is risk that errors by or interruptions impacting these vendors could affect LAM and its clients. LAM believes that its controls mitigate, but cannot eliminate, this risk. Some of LAM’s important service providers are described below.

LAM has outsourced certain operational functions to State Street Bank and Trust Company (“State Street”). State Street provides certain back and middle office administrative services to LAM. These services include, portfolio accounting, client reporting, settlement, data administration, billing and reconciliation.

LAM has outsourced several operational functions relating to its wrap fee arrangements to SEI Global Services, Inc. (“SEI”). SEI utilizes its own internal systems to provide administrative services with respect to the wrap accounts that LAM manages. SEI is responsible for performing the following functions: new client account initialization and maintenance; trade order generation and routing; client account asset and cash reconciliation; client-imposed guideline monitoring and recordkeeping.

Institutional Shareholder Services, Inc. (“ISS”) and Glass Lewis & Co. LLC (“Glass Lewis”) provide proxy voting, maintenance, reporting, analysis and record keeping services for LAM with respect to proxies for companies whose securities are held by LAM on behalf of clients.



LAM has entered into an agreement with Pershing Advisor Solutions LLC and Pershing LLC (together, “Pershing”) whereby Pershing provides custodial, brokerage and certain other services for certain clients of LAM. Clients who choose to use Pershing’s services enter into separate custodial and/or brokerage agreements with Pershing. Generally, Pershing services are utilized by clients of LAM’s Private Client Group or other clients who do not already utilize their own third-party custodian. LAM does not require that such clients use Pershing for these services, and clients are free to work with other custodians. Each client who considers retaining Pershing is provided with certain agreements and applicable fee schedules. Generally, LAM directs to Pershing most, if not all, trades for clients that retain Pershing to provide such services due to the nature of the clients’ fee structure with Pershing and other services that Pershing provides to the clients.

### *Use of Derivative Instruments*

Certain investment strategies managed by LAM utilize over-the-counter (“OTC”) derivatives, such as interest-rate swaps, credit default swaps, forward currency contracts and other instruments. Regulatory changes have created significant operational and legal requirements for trading OTC derivatives, including FX forwards. These requirements include, but are not limited to, complying with the relevant regulatory regimes and entering into certain derivative trading documents commonly referred to as “ISDA master agreements” or “ISDAs.” Parties to “swap” transactions must enter into written swap documentation (i.e., ISDAs) pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”). In order to satisfy these documentation requirements, LAM typically recommends that clients elect to use the non-negotiated 2002 ISDA Master Agreement (the “Dodd-Frank ISDA”) and/or negotiates ISDAs and credit support annexes (“CSAs”) to govern OTC transactions (each, a “Negotiated ISDA”). In addition, LAM may also trade OTC derivatives under a client’s existing ISDA documentation. LAM will only act as agent (and not as principal) when it trades OTC derivatives on a client’s behalf.

There are risks and benefits associated with entering into the Dodd-Frank ISDA and/or a Negotiated ISDA that each client must carefully consider, and LAM requests that each client consult with its advisors as necessary to ensure that it understands the risks and benefits of entering into such documents and the terms of OTC derivative documentation in general. If a client chooses to invest in a LAM-sponsored pooled vehicle, LAM, as investment manager of the pooled vehicle, will be responsible for establishing all derivative documentation.

The use of the Dodd-Frank ISDA or a Negotiated ISDA is determined by the type of OTC derivative traded and client requirements.

### The Dodd-Frank ISDA

Generally, to trade an OTC derivative that does not require a collateral agreement (i.e., a CSA) with counterparties (e.g., FX forwards), LAM requires each client account to adhere to the Dodd-Frank protocols and elect the Dodd-Frank ISDA. The Dodd-Frank ISDA is elected via Markit, a website portal that enables clients to incorporate by reference the form Dodd-Frank ISDA and execute it with multiple counterparties. LAM, upon a client’s request, performs this process on behalf of the client.

The election of the Dodd-Frank ISDA has potential benefits and risks that clients should consider. By electing the Dodd-Frank ISDA, a client's account will be set up to trade in a few days. However, by electing the Dodd-Frank ISDA, which is a non-negotiated "form document", counterparties cannot include additional events of default or termination events, key man clauses, credit terms or financial delivery obligations which may be adverse to a client. These types of terms typically increase the ability of counterparties to place a client in default or increase its obligations.

The Dodd-Frank ISDA is a "form document," as indicated above, which means that it is a generic non-negotiated document and, in certain circumstances, may contain terms that may not be as favorable as a Negotiated ISDA. For example, certain tax language which is generally customized to parties, entity types and jurisdictions would not be included in a Dodd-Frank ISDA. Certain other provisions, such as a dispute resolution provision, limited recourse, notice periods, additional termination events for net asset value declines, etc. might be included in a Negotiated ISDA but are not in the Dodd-Frank ISDA. Although the Dodd-Frank ISDA does not include a CSA to enable the posting of collateral, LAM may enter into CSAs on behalf of clients who trade under a Dodd-Frank ISDA. In this way, collateral may be posted for certain trading where clients have only entered into a Dodd-Frank ISDA.

Dodd-Frank requires that the prudential regulators and other regulatory bodies impose margin requirements for uncleared OTC derivative trades on dealers, banks, asset managers and other financial institutions. The U.S. Commodity Futures Trading Commission (the "CFTC") and other prudential regulators have adopted rules that mandate the posting of collateral for uncleared OTC derivatives. The rules have phased-in compliance dates. In an effort to comply with these rules, as well as certain regulations outside the U.S., LAM has implemented processes and procedures designed to allow it to post variation margin for accounts trading FX as required pursuant to relevant regulatory guidance and timelines.

### Negotiated ISDAs

Generally, to trade OTC derivatives that require collateral (e.g., interest rate swaps, FX options, CDS on indices, etc.), LAM will seek to negotiate, on each client account's behalf, Negotiated ISDAs with several counterparties. For strategies that trade FX forwards and OTC derivatives that require collateral, LAM will work with each client to determine the proper derivative documentation. In certain cases, LAM may require accounts to elect the Dodd-Frank ISDA so that it can trade FX forwards with numerous counterparties immediately while it finalizes the Negotiated ISDAs. Once LAM finalizes a Negotiated ISDA with a counterparty, all OTC derivatives (including FX forwards) are traded for that account under that client's Negotiated ISDA.

Counterparties that enter into Negotiated ISDAs with LAM may conduct due diligence on, and a credit review of, LAM's clients that wish to trade OTC derivatives prior to entering into a Negotiated ISDA. This can be a very lengthy process which typically does not begin until a client's investment management agreement is executed and delivered to the counterparty. The length of the process will be driven by several factors, including but not limited to, the ability to add a client account to an existing LAM-Negotiated ISDA, the client's guidelines, the client's cooperation and the counterparty's willingness to expedite negotiations. Negotiated ISDAs may vary from account to account and, therefore, there may be different

credit terms and other risks associated with a client's account that may not be relevant to other accounts managed by LAM.

The Negotiated ISDA may require a client to make certain representations and warranties. LAM may not have the information necessary in order to make such representations and warranties. Therefore, LAM may require that the client provide the information necessary in order for LAM to execute the Negotiated ISDA. If this information is not obtained, it may delay the launch of the client's account.

Negotiated ISDAs, as mentioned above, may also have additional provisions that may not necessarily benefit a client's account. For example, many Negotiated ISDAs include additional termination events that would not otherwise be included in the Dodd-Frank ISDA, making it more likely that an adverse event will allow the counterparty to terminate the Negotiated ISDA. Conversely, Negotiated ISDAs may include provisions that are generally helpful to the client, such as an extension of notice and cure periods, dispute resolution provisions, limited recourse and the expiration of the right to declare a default with respect to an account if the counterparty does not take action within a certain period of time.

Currently, accounts that enter into Negotiated ISDAs may post collateral for all OTC derivatives (including FX forwards), while accounts that solely elect the Dodd-Frank ISDA cannot post collateral for FX forwards. Accounts that post collateral may have different returns than accounts that do not post collateral. In addition, accounts that post collateral may be permitted to enter into transactions that accounts that do not post collateral cannot (i.e., FX options, CDX, etc.). Furthermore, if a client's account has certain cash restrictions and collateral is required to be posted, the ability to utilize several counterparties may be limited. It is possible that accounts that post collateral obtain better pricing for OTC derivative transactions.

Collateral is often referred to as "initial margin" and "variation margin." Initial margin is typically a fixed amount that is required to be designated and maintained at a specified level, regardless of whether the mark-to-market exposure on the derivative instrument, if closed, would require a payment to the client. Variation margin is a daily-calculated amount established by the counterparty and depends on a number of factors, including the type of derivative transaction, the mark-to-market exposure of the client and the credit risk associated with the client. The variation margin will therefore change from day to day. Any client on whose behalf LAM may enter into derivative transactions will need to cooperate with LAM, and instruct its custodian to cooperate with LAM, to establish the necessary arrangements to satisfy collateral requirements. Any action taken by the client or the custodian that causes insufficient collateral to be posted may cause the counterparty to issue a margin call, seize the collateral, close out the related derivative transaction or take other action as permitted by the transaction documents. Any of these actions could result in a loss to the client.

In situations where a client is required to post collateral with a counterparty, the counterparty may fail to segregate the collateral or may commingle the collateral with assets of other clients of the counterparty. As a result, in the event of the counterparty's bankruptcy or insolvency, the client's excess collateral may be subject to the conflicting claims of the counterparty's creditors, and the client may be exposed to the risk of a court treating the client's account as a general unsecured creditor of the counterparty, rather than as the owner of such collateral. The CFTC has enacted rules and regulations requiring counterparties to notify their clients of their right to elect the segregation of initial margin. Should a client make this election, it

would need to put in place a collateral account control agreement with its counterparty and custodian which may take significant time to negotiate and may therefore cause disruption to trading. In addition, there may be additional costs associated with making an initial margin segregation election. However, should a client elect to segregate initial margin it posts, its excess collateral could be awarded greater protection in the event of a counterparty's bankruptcy or insolvency. Currently, LAM does not exercise the right to segregate initial margin on behalf of its accounts, unless required by applicable law.

Investments in derivative transactions involve other risks. Please refer to Item 8 herein for a description of certain other risks relating to the use of derivative transactions.

## **Item 5 – Fees and Compensation**

### *Advisory Fees – General Policy*

LAM's advisory fee is generally payable monthly or quarterly, based on the value of the account(s), either in arrears or in advance. In the event that a client terminates an investment management contract prior to the end of a billing period and the client has paid fees in advance, LAM would work with the client to refund any overpayment and would calculate the overpayment on a pro rata basis based on the number of days LAM actually managed the account.

Generally, LAM's advisory fees are based on a percentage of assets under management. In certain situations, LAM may agree to a different fee structure, such as a performance fee. Fees may vary from the standard fee schedules depending on the nature of the services rendered and special requirements of the account or based on negotiations. Fees will generally differ for a variety of reasons, for sub-advisory accounts, large accounts, non-discretionary or restricted discretion accounts, and certain non-U.S. accounts or for certain special arrangements. LAM may offer blended fee schedules to existing clients with accounts across product lines.

With respect to certain strategies managed by LAM, LAM may make investments for a client's account in various exchange-traded funds ("ETFs"), open- or closed-end funds, and unregistered funds managed by LAM, its affiliates or other non-affiliated entities. If the investment strategy chosen by a client includes allocations to funds managed by LAM or an affiliate of LAM, LAM and/or its affiliate (to the extent not prohibited by applicable law) may receive a management fee from the relevant fund in addition to the advisory fee charged to the client for managing the assets in accordance with the strategy. By allocating a portion of a client's account to such a fund, LAM's total fees for managing the account may be higher than if it did not do so or if it did not receive a fee from the relevant fund. LAM will generally not allocate or reallocate client assets to or from funds managed by LAM or its affiliates without prior client approval. The portion of an account invested in such a fund will be managed in accordance with the prospectus or offering document of the fund and will not be managed in accordance with client-imposed investment guidelines.

Advisory fees for clients of LAM are generally based upon the fee schedule set forth below; however, fees are negotiable. The fee schedule set forth below relates to the principal investment strategies managed by LAM. LAM also manages certain sub-strategies or customized strategies related to the investment strategies set forth below that are not specifically set forth herein.

*LAM's Standard Fee Schedule*

Advisory fees for LAM's separately managed account strategies are based on the market value of each account as follows:

<b>Global Equity</b>	
European Equity Select Global Equity Income Global Equity Select International Equity International Equity Select/with Emerging Markets Lazard Capital Allocator Series ("LCAS") – Global Equity LCAS – Global Diversified International Compounders	75 basis points on the first \$100 million; 50 basis points on the balance
Developing Markets Equity/Select Emerging Markets Core Equity/Select Emerging Markets Equity/Select Emerging Markets Equity Blend Opportunistic Strategies	100 basis points on the first \$100 million; 80 basis points on the balance
Emerging Markets Discounted Assets/Focus Global Discounted Assets International Discounted Assets	100 basis points on the first \$100 million; 75 basis points on the balance
Emerging Markets Microcap Equity Concentrated	150 basis points
Emerging Markets Small Cap Equity	125 basis points on the first \$100 million; 115 basis points on the next \$100 million; 100 basis points on the balance
Global/International Small Cap Equity Global Strategic Equity International Strategic Equity Global Compounders Global Robotics & Automation Generations	85 basis points on the first \$100 million; 65 basis points on the balance
Global Listed Infrastructure	90 basis points on the first \$10 million; 75 basis points on the next \$25 million; 70 basis points on the next \$40 million; 65 basis points on the next \$75 million; 60 basis points on the next \$150 million; 55 basis points on the balance

Global Real Estate Securities	85 basis points on the first \$50 million; 65 basis points on the balance
Global Equity Franchise	80 basis points on the first \$100 million; 65 basis points on the balance
Global Thematic Equity Global Thematic Equity Focus	80 basis points on the first \$100 million; 65 basis points on the balance
Latin American Equity International Equity Concentrated	90 basis points on the first \$100 million; 75 basis points on the balance
International Equity Value	85 basis points on the first \$100 million; 65 basis points on the balance
<b><i>Convertible Securities</i></b>	
Global Convertibles	70 basis points on the first \$50 million; 65 basis points on the next \$100 million; 60 basis points on the next \$100 million; 55 basis points on the balance
<b><i>Quantitative Equity</i></b>	
Global Controlled Volatility	40 basis points on the first \$50 million; 30 basis points on the next \$50 million; 25 basis points on the balance
Global Equity Advantage Global Equity ESG Advantage ACW Equity ESG Advantage	65 basis points on the first \$50 million; 55 basis points on the next \$50 million; 45 basis points on the balance
EAFE Equity Advantage	65 basis points on the first \$50 million; 60 basis points on the next \$50 million; 45 basis points on the balance
ACW ex-US Equity Advantage	65 basis points on the first \$50 million; 60 basis points on the next \$50 million; 50 basis points on the balance
ACW ex-US Small Cap Equity Advantage	85 basis points on the first \$100 million; 65 basis points on the balance
Global Managed Volatility	50 basis points on the first \$50 million; 45 basis points on the next \$50 million; 40 basis points on the balance
Global Managed Volatility (ACW)	55 basis points on the first \$50 million; 50 basis points on the next \$50 million; 45 basis points on the balance

EAFE Small Cap Equity Advantage	75 basis points on the first \$100 million; 65 basis points on the balance
Global Equity Factor Advantage	45 basis points on the first \$100 million; 35 basis points on the balance
Global 130/30	65 basis points on the first \$50 million; 60 basis points on the next \$50 million; 55 basis points on the balance, plus an incentive fee of 10% on performance above the benchmark over a full market cycle; OR: 85 basis points on the first \$50 million; 80 basis points on the next \$50 million; 75 basis points on the balance
Emerging Markets Equity Advantage Asia ex-Japan Equity Advantage	85 basis points on the first \$50 million; 80 basis points on the next \$50 million; 75 basis points on the balance
Emerging Markets Managed Volatility	70 basis points on the first \$50 million; 60 basis points on the next \$50 million; 55 basis points on the balance
<b><i>Regional Equity</i></b>	
European Small Cap Equity	85 basis points on the first \$100 million; 65 basis points on the balance
Middle East North African Equity	100 basis points on the first \$100 million; 85 basis points on the balance
<b><i>Country Specific Equity</i></b>	
Japanese Equity	55 basis points on the first \$50 million; 50 basis points on the next \$50 million; 45 basis points on the balance
LCAS US – Centric Diversified LCAS US – Centric Equity	75 basis points on the first \$100 million; 50 basis points on the balance
US Equity US Equity Value US Equity Select	70 basis points on the first \$10 million; 45 basis points on the next \$50 million; 40 basis points on the next \$100 million; 35 basis points on the balance

US Small Mid Cap Equity	80 basis points on the first \$100 million; 60 basis points on the balance
US Equity Concentrated US Equity Value Focus	75 basis points
US Real Estate Securities	75 basis points on the first \$50 million; 65 basis points on the balance
Japanese Strategic Equity US Equity Blend	75 basis points on the first \$100 million; 65 basis points on the balance
<b>Balanced</b>	
Global Balanced/Select	75 basis points on the first \$100 million; 60 basis points on the balance
Emerging Markets Multi-Asset	100 basis points on the first \$100 million; 80 basis points on the balance
Global Dynamic Multi-Asset Diversified Return Real Assets and Pricing Opportunities	85 basis points on the first \$100 million; 65 basis points on the balance
US Balanced	75 basis points on the first \$100 million; 50 basis points on the balance
<b>Fixed Income</b>	
Emerging Markets Debt - Core	65 basis points on the first \$100 million; 60 basis points on the balance
Emerging Markets Debt - Local Debt Emerging Markets Debt – Corporate Broad	75 basis points on the first \$100 million; 70 basis points on the balance
Emerging Markets Debt - Blend	80 basis points on the first \$100 million; 70 basis points on the balance
Emerging Markets Debt - Total Return	75 basis points on the first \$100 million; 70 basis points on the balance 20% incentive fee with 5% hurdle rate
Global Core	40 basis points on the first \$50 million; 30 basis points on the next \$50 million; 25 basis points on the balance
Global Core Plus	45 basis points on the first \$50 million; 35 basis points on the next \$50 million; 30 basis points on the balance



Global Convertibles	70 basis points on the first \$50 million; 65 basis points on the next \$100 million; 60 basis points on the next \$100 million; 55 basis points on the balance
Global Convertibles ESG	75 basis points on the first \$50 million; 70 basis points on the next \$100 million; 65 basis points on the next \$100 million; 60 basis points on the balance
LCAS – Global Fixed Income	25 basis points on all assets
US Tax-Exempt	35 basis points on the first \$100 million; 25 basis points on the balance
US High Yield	50 basis points on the first \$50 million; 45 basis points on the next \$50 million; 40 basis points on the balance
US Core US Core Investment Grade US Intermediate Core US Short Duration Fixed Income	30 basis points on the first \$100 million; 20 basis points on the balance
US Core Plus	40 basis points on the first \$100 million; 30 basis points on the balance
<b>Alternatives</b>	
Emerging Markets Income	65 basis points on all assets
Enhanced Opportunities	140 basis points on all assets
Emerging Markets Long/Short Equity International Equity Value Long/Short	125 basis point management fee; 20% incentive fee
Symbiotic Alpha	200 basis point management fee; 20% incentive fee

With respect to certain accounts or pooled vehicles, LAM also charges fees based on the performance of the account or pooled vehicle as further described below. In addition to the fee schedule for LAM's principal alternative investment strategies listed below, please see Item 6 below for a description of these types of arrangements.

*Private Client Group – Fee Schedule*

Advisory fees for LAM's Private Client Group clients are generally based on the market value of each account as follows:

US Equity and Balanced: 100 basis points on the first \$5 million; 75 basis points on the next \$5 million; and 50 basis points on the balance.

International/Global: 100 basis points on the first \$5 million; 85 basis points on the next \$5 million; 75 basis points on the balance.

Fixed Income: 40 basis points on the first \$25 million; 37.5 basis points on the balance.

As noted above, any clients who retain Pershing to provide custodial, brokerage and other services will enter into appropriate agreements directly with Pershing, and Pershing will directly charge a fee to such clients. A separate fee schedule will be provided to any such client prior to entering into the agreement with Pershing.

#### *Description of Services Covered by Advisory Fees*

Fees generally cover investment advice, account servicing, access to the portfolio management team and review of client information, as well as services related to FX transactions described above for those clients who appoint LAM to provide such FX services. The client pays for all transaction costs such as commissions and other account and service charges. Please see Item 12 below for a discussion of LAM's brokerage practices.

Periodic meetings are held with many clients at which LAM's current economic outlook, investment strategy, and views on various industries and specific companies are presented. These meetings are a regular part of the investment management and advisory services LAM provides to its clients. LAM does not charge a special fee for consultation services.

Either party may generally terminate an advisory agreement at any time by giving 30 days' written notice of termination to the other party. Lower fees for comparable services may be available from other sources.

#### *LAM's Ability to Deduct Fees*

With respect to certain clients, subject to regulatory requirements and client authorization, LAM may direct a client's custodian to deduct fees from a client's account. Most clients are billed for investment advisory services, or fees are deducted, on a monthly or quarterly basis.

#### *Fees - Mutual Funds and Closed-End Funds*

Fees for the mutual funds registered under the 1940 Act managed by LAM (LFI and Lazard Retirement Series, Inc. ("LRS")) are set forth in the summary prospectus and statutory prospectus for each such fund. Additionally, LAM also acts as the investment manager of Lazard Global Total Return and Income Fund, Inc. ("LGI") and Lazard World Dividend & Income Fund, Inc. ("LOR"), each a 1940 Act-registered closed-end investment company whose shares are listed on the NYSE. Depending on whether financial leverage is employed by LAM, LAM's management fee for LGI and LOR will range between 0.85% and 1.28% and 0.85% and 1.30% of net assets, respectively.

### *Private Funds - Non-Alternative Investment Strategies*

LAM acts as an investment manager to commingled funds established for certain clients of LAM, including defined contribution and defined benefit plans, that utilize certain of the investment strategies set forth above and/or alternative investment strategies. Although fees for certain funds may be separately negotiated, the management fees applicable to such funds are generally in-line with the fee structures applicable to LAM's similarly managed institutional accounts, but such accounts are generally subject to additional fees, including custody, brokerage, administration and other fund expenses.

### *Private Funds - Alternative Investment Strategies – Fee Schedule*

The standard fee schedules for LAM's principal alternative investment strategies are set forth below:

Emerging Income: 0.75% management fee.

Rathmore: 1.5% management fee; 20% incentive fee/allocation.

European Long/Short Equity: 1% management fee; 20% incentive fee/allocation.

International Equity Value Long/Short: 1.25% management fee; 20% incentive fee/allocation.

Emerging Markets Long/Short Equity: 0.75-1.25% management fee; 10-20% incentive fee/allocation.

Symbiotic Alpha: 2% management fee; 20% incentive fee/allocation.

Alternative Emerging Markets: 0.75-1.25% management fee.

Frontier Opportunities: 0.75% management fee.

LAM, together with its affiliates, serves as a general partner or investment manager to various partnerships or other hedge or private funds in which clients may be solicited to invest. These private funds employ the alternative investment strategies noted above. To the extent that LAM advises clients to purchase interests or shares in these private funds, or similar investment vehicles established by LAM or an affiliate of LAM, client assets invested in such investment vehicles will generally be excluded from the total assets on which LAM charges its regular management fee.

### *Private Funds – Expenses*

In addition to payment of the management fee and incentive fee/allocation (if applicable), each private fund will bear certain customary expenses (e.g., brokerage and custodial fees, legal and audit fees, fees and expenses of outsourced service providers, third-party professionals and administrators, regulatory reporting expenses, operational expenses, etc.), and certain extraordinary expenses (e.g., tax audits, reorganization, dissolution, winding-up or termination, etc.).

Generally, all expenses borne by a private fund, other than the management fee and expenses related to currency conversion, currency hedging, or new issues as well as any expenses that LAM believes should be allocated to a particular investor, will be debited to all capital accounts or classes of shares on a pro rata basis.

Additional information about each private fund as well as the fees and expenses charged to investors by such private fund is provided in that private fund's offering documents.

#### *Joint Expenses*

If any expenses are incurred jointly for the account of one or more private funds and any other accounts managed by LAM or its affiliates, such expenses will be allocated among the private funds and the other accounts pro rata based on their respective interests in the investment to which the expense relates, or in such other manner as LAM considers fair and reasonable.

With respect to trading agreements, LAM will directly charge its separate account clients or private funds, as the case may be, for the cost of entering into trading agreements, including but not limited to ISDA agreements. In the case where multiple clients trade under the same trading documentation, LAM will generally charge the first private fund, LAM client or clients that enter into the trading agreement. If a subsequent LAM client or private fund is added as a party to trading agreements previously negotiated by LAM, that client or private fund will not be charged for the initial cost of negotiating the agreement, but will bear the cost of any additional documentation required to add that LAM client or private fund as a party to the agreement. In the event that LAM negotiates such trading agreement on behalf of multiple LAM clients, each LAM client will equally bear the costs of negotiating such agreement.

In certain cases, in its discretion, LAM may agree to pay the costs of negotiating and entering into trading agreements out of its own resources.

#### *Compensation – Wrap Fee Programs and Model Programs*

LAM's compensation pursuant to a wrap fee arrangement may be lower than LAM's standard fee schedule for managing separate accounts in the same strategy. However, the overall cost of a wrap fee arrangement may be higher than the client otherwise would experience by paying LAM's standard fees and negotiating transactions with a broker or dealer that are payable on a per transaction basis (either directly in directed brokerage arrangements or through LAM when LAM is authorized to select a broker or dealer), depending on the extent to which securities transactions are or are not initiated for the client by LAM during the period covered by the arrangement. A wrap fee client may terminate the account arrangement upon a specified period of notice to the broker or other financial institution and upon termination any prepaid fee is refundable on a pro rata basis for the period unearned.

LAM's compensation pursuant to model portfolio arrangements also may be lower than LAM's standard fee schedule for managed accounts that employ corresponding investment strategies. Compensation for model portfolio arrangements is typically an asset-based fee charged on the assets managed pursuant to the LAM model included in the particular program in which LAM participates. Currently, LAM does not

charge a model delivery fee, or similar management fee, to intermediaries offering, or clients investing directly in, the Lazard VOLT® strategy. As such, currently, compensation to LAM is derived solely from the Portfolios' management fees. Due to the nature of the strategy, and the fact that the Multi-Asset team determines both the allocation to Portfolios comprising each Lazard VOLT® strategy, as well as manages certain of the Portfolios to which the strategy may allocate, there is a potential incentive for the Multi-Asset team to: (i) allocate all or a higher percentage of the strategy's assets to Portfolios with higher fees; and/or (ii) allocate all or a higher percentage of the strategy's assets to Portfolios managed by the Multi-Asset team to generate higher revenue for these products. LAM has adopted policies and procedures designed to mitigate these potential conflicts, including, but not limited to, oversight by LAM's Asset Allocation Committee.

#### *Potential Conflicts of Interest Relating to Compensation Arrangements*

LAM's client service representatives and other employees and employees of affiliates receive incentive compensation, a portion of which may be attributable to the sale of mutual fund shares or interests or shares of other funds. The receipt of incentive compensation creates a potential conflict of interest in that a LAM employee will have an incentive to recommend a product for a client based on the ability to receive the incentive compensation, rather than the client's needs. However, LAM has implemented supervisory controls designed to prevent breach of its fiduciary responsibilities in this regard.

To the extent that LAM recommends that a client purchase shares of a mutual fund managed by LAM, such client has the option of purchasing that mutual fund through other brokers or agents unaffiliated with LAM.

Lazard Asset Management Securities LLC ("LAM Securities") is a limited purpose registered broker-dealer that serves as the distributor of the mutual funds and placement agent of the private funds managed by LAM. LAM Securities is a wholly-owned subsidiary of LAM and receives a Rule 12b-1 fee with respect to the Open Class of shares of portfolios of LFI and the Service Class of shares of portfolios of LRS. Please refer to Item 10 for additional information relating to LAM Securities.

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

As mentioned above, LAM acts as an investment manager for several private funds, including hedge funds and certain commingled funds and trusts. Such funds are offered only in accordance with the eligibility requirements set forth in each fund's respective offering memorandum and in compliance with federal and state laws applicable to the offering of such private funds. Investment management and performance fees/allocations payable to LAM by such funds are described in the offering memoranda for such funds. As mentioned above, LAM's management fee for alternative and private funds is between 0.75% and 1.5% and its performance fee/allocation or incentive fee/allocation, where applicable, is generally 20%. LAM may, in its discretion, waive all or a portion of the management fee or performance fee/allocation in respect of any investor, including employees of LAM; provided, however, that any waiver will be external to the fund (through rebate or by purchasing additional interests or shares for the account of such shareholder) and will not affect the homogeneity of the interests or shares.

With certain individual or institutional clients, LAM also enters into performance fee arrangements, which provide for compensation to LAM upon the basis of a share of the capital gains, or the capital appreciation of the funds, or any portion of the funds, provided that all of the conditions in Rule 205-3 under the Investment Advisers Act of 1940 (the “Advisers Act”) are satisfied.

LAM receives other types of performance-based compensation, such as compensation based on a fulcrum fee, from certain clients. Generally speaking, a fulcrum fee is based on the performance of an account versus an appropriate index of securities, where the fee increases and decreases proportionately with such performance. Additionally, certain portfolio managers’ bonus compensation may be tied to a fixed percentage of revenue or assets generated by the accounts managed by such portfolio management teams. This percentage may differ depending on the particular investment strategy and accordingly, a portfolio manager who is a member of one or more investment teams may receive different bonus compensation from LAM with respect to different investment strategies. Although this may create an incentive for the portfolio manager to allocate certain investments to the strategies with respect to which it receives higher compensation, LAM has adopted a number of policies and procedures designed to prevent such a conflict of interest. Descriptions of such policies are included below and in Item 8.

A client paying performance-based compensation should be aware that this type of compensation arrangement potentially creates a conflict of interest and that:

1. the fee/allocation arrangement creates an incentive for LAM to make investments that are riskier or more speculative than would be the case in the absence of a performance fee/allocation and/or allocate or sequence investments in favor of accounts that are expected to pay higher performance fees/allocations than others in a given period;
2. LAM may receive increased compensation, and with regard to unrealized appreciation as well as realized gains in the client’s account;
3. the periods used to measure the performance will be specified in the contract and/or offering memorandum and may be less than a twelve-month period;
4. to the extent that the performance fee/allocation is calculated based on performance relative to a benchmark, the benchmark recommended to be used by LAM will typically be one that reflects and is similar to the investment objective and guidelines for the account and is intended to provide an effective measurement of the performance of the account; and
5. securities held in the client’s account for which no market quotations are readily available will typically be valued by either the client’s custodian or LAM based upon objective factors.

LAM has adopted policies and procedures designed to address material conflicts of interest, including those set forth above relating to performance-based compensation arrangements.

- In advising clients of LAM, LAM’s portfolio managers must determine whether a security is suitable for purchase or sale, on behalf of and for a given account, based on a variety of factors, including, without limitation, the client’s investment objectives or strategies, any trading restrictions, tax matters and overall liquidity needs. Although a portfolio manager of an investment

strategy or vehicle that charges a performance fee/allocation has a potential incentive to take on additional risk, as an employee of LAM, a portfolio manager must act in the best interest of such fund or client. Additionally, LAM's accounts and vehicles are generally managed in accordance with a model, subject to guidelines or product restrictions, and trades are allocated fairly without regard to the revenue LAM may receive from particular accounts. LAM's Compliance department performs various reviews, including reviews of client trade allocations and other reviews, designed to identify issues associated with side by side management and/or material departures from LAM's trading and allocation policies.

- LAM maintains an Oversight Committee which is responsible for overseeing each product's adherence to its stated guidelines. LAM also maintains a Risk Management Group which is responsible for oversight of the risk levels of the firm's products, including those that are charged performance-based fees/allocations. The Risk Management Group performs regular reviews of products and accounts and reports regularly to the Oversight Committee. As such, the ability of a portfolio manager to take on additional risk due to the potential receipt of a performance-based fee/allocation is appropriately monitored.
- Additionally, certain potential conflicts are addressed in the nature of LAM's business structure. LAM employees have a limited ability to negotiate fees other than those set forth in its fee schedule listed above (most of which, with the exception of alternative strategies, are asset-based and not performance-based) and material deviations from such fee arrangements must be approved by a member of senior management.
- The majority of LAM's institutional clients are charged asset-based fees. To the extent that a performance-based fee is charged to a client it is usually as a result of a request from that client. For the most part, performance-based fees are charged by LAM in connection with its alternative investment strategies as noted above, whose investors are sophisticated and knowledgeable and meet the eligibility requirements set forth in the relevant offering documents for such vehicle.

## **Item 7 – Types of Clients**

LAM provides investment advice to all types of clients, including, without limitation, individuals, banks or thrift institutions, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, educational institutions, limited partnerships, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, registered mutual funds, private funds, trust programs, sovereign funds, non-U.S. funds such as UCITs and SICAVs, and other U.S. and international institutions. These clients may also include wrap program sponsors, investors in wrap programs, and clients who are Model Recipients through a non-discretionary arrangement.

LAM generally requires a minimum investment amount for each of the strategies it manages. Such minimum investment amounts will vary depending on the particular investment strategy in which a client chooses to invest and may be as low as \$5 million (for institutional U.S. equity accounts, for example) and as high as \$100 million (for emerging markets debt strategies, for example). LAM generally requires a minimum investment of \$1 million for hedge fund and private fund investments as well as Private Client Group accounts. These requirements are dependent on a variety of factors and are subject to change. LAM

in its sole discretion may waive the minimum investment requirements. LAM generally applies the minimum account sizes on the basis of the aggregate amount of assets associated with a particular relationship. LAM will accept client accounts of less than the minimum in certain circumstances in its sole discretion, including, but not limited to, (i) where the prospective client has a relationship with LAM, one or more of its officers or employees, or one of its clients or (ii) if the client agrees that the account will be solely invested in one or more portfolios of a fund or other collective vehicles managed by LAM. In addition, LAM will accept accounts under \$1 million that are part of, or associated with, the wrap fee programs described herein or certain other broker, consultant or broader relationships or where LAM believes the overall relationship may grow in the future. The Institutional share class of LFI, a registered open-end mutual fund managed by LAM, has a minimum investment requirement of \$100,000, the Open share class of LFI has a minimum investment requirement of \$2,500 and the R6 share class of LFI generally has a minimum investment requirement of \$1 million.

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

### *Description of Investment Strategies and Analysis*

As mentioned in Item 4 and Item 5 above, LAM manages assets according to a variety of equity, fixed income and alternative investment strategies, including investment strategies focusing on global, regional and international equity, U.S. equity, U.S. and global fixed income, and emerging markets equity and debt. Many of LAM's U.S., emerging markets, international and global equity investment strategies are managed in accordance with a relative value investment strategy and certain equity strategies utilize a growth at a reasonable price, or "GARP" strategy. LAM's alternative investment products include convertible event, emerging market currency and debt and global and regional long/short strategies, among others. LAM's investment teams determine and implement the investment strategies. For certain accounts where LAM has been given discretion to make asset allocation decisions, LAM's investment teams determine the appropriate allocation to each asset class at any given point in the economic cycle and review the relative weightings by sector in the portfolios.

LAM utilizes a team-based approach in implementing its investment strategies on behalf of clients. LAM focuses on delivering superior client service and products through its global research capabilities and diverse product platform. In doing so, LAM will tailor its services and investment platform to meet the evolving needs of clients through its disciplined approach to investing. In addition to the information regarding LAM's investment strategies included in this Brochure, LAM's prospective clients typically receive a great deal of other information regarding the investment strategies and products managed by LAM prior to investing with LAM, and LAM encourages clients to review marketing materials and other product-specific information before investing.

### *Research and Analysis*

LAM's research capabilities are built off of the firm's "integrated knowledge" approach. A significant portion of LAM's research is conducted in-house and is proprietary to LAM. LAM's analytical resources include global sector analysts focusing on six global sectors, analysts assigned to specific portfolio teams and portfolio manager/analysts who spend significant time on research. This structure provides the primary



source of research for many of LAM's investment strategies. LAM's proprietary research is frequently supplemented by outside research services, including, but not limited to, customary "sell-side" research reports, analytics, databases and other third-party research services. The portfolio manager/analysts comprising each portfolio management team typically implement their relevant investment process(es) independently of other teams by making the buy and sell decisions in each client's portfolio.

Analysts dedicated to particular portfolio management teams work closely and regularly with LAM's portfolio managers/analysts. LAM's global sector analysts, who also manage certain portfolios, prepare and internally distribute investment ideas for consideration by various portfolio management teams throughout LAM. At LAM, research is a shared resource and all team members and global research analysts are encouraged to share ideas.

No method of research or analysis can guarantee a particular investment result or outcome and the use of investment tools and research does not guarantee investment performance. In addition, certain methods of analysis, including those relating to quantitative or other similar models, involve the use of mathematical models based on certain assumptions. As such, these models are tools, which may not always be complete or accurate. There can be no assurance that an investment strategy will produce an intended result, and an investor may experience losses, including, potentially, a complete loss of principal.

#### *Securities Comprising LAM's Investment Strategies*

In general, LAM invests client assets in the following securities and instruments, depending on the particular strategy utilized to manage the client's account, and subject to client guidelines: equity and debt securities, exchange-listed securities, securities traded OTC, U.S. and non-U.S. securities, real estate investment trusts ("REITs"), warrants, corporate debt, certificates of deposit, commercial paper, municipal securities, U.S. and non-U.S. open and closed-end investment company securities, U.S. government securities, options contracts, futures contracts, asset-backed securities, non-U.S. government bonds, mortgage pass through securities, adjustable rate mortgages, collateralized debt or mortgage obligations, commercial mortgage-backed securities, structured notes, currencies, futures, reinsurance-backed bonds, mortgage derivatives, non-Rule 144A private placements, forwards, swaps and other derivatives, including, credit default swaps and interest-rate swaps, listed and OTC options, options on foreign exchange, rights offerings, ETFs, exchange-traded notes ("ETNs"), open-end and closed-end funds, convertible bonds, preferred stock, and interest only or principal only securities. LAM also invests assets of certain clients in Rule 144A securities or other securities that are not registered under the Securities Act of 1933 (the "1933 Act"). Typically, these securities may not be resold until registered under the 1933 Act unless an exemption from the 1933 Act's registration requirements, such as Rule 144A, is available and complied with for the re-sale transaction. As a result of these restrictions, Rule 144A securities tend to be less liquid than registered securities and tend to sell at a lower price than would be available if they were registered. In addition, it may be more difficult to value Rule 144A securities accurately and less information may be available about the issuers of Rule 144A securities.

### *Quantitative Investment Strategies*

Additionally, LAM manages various investment strategies that utilize investment processes which utilize computer-based models and proprietary risk management frameworks to analyze companies, generate security selections and help construct portfolios. The computer-based models and risk management framework are designed to extract and analyze a variety of financial data from various sources. These strategies generally seek to evaluate individual companies with respect to several core elements including, without limitation, value, sentiment, growth, and quality, relative to peers through the analysis of data.

### *Convertible Arbitrage, Special Situation and Event-Driven Strategy*

LAM manages a convertible arbitrage and event-driven strategy (the “Rathmore Strategy”) that utilizes a relative value investment program investing in convertible arbitrage, special situation and event-driven investments. Through its investments in special situations, the Rathmore Strategy seeks to uncover anomalies across a company’s capital structure and employs a proprietary screening process, quantitative analysis and fundamental research, including analysis of indentures and covenants. It also seeks to take advantage of developments that impact corporate securities and create pricing anomalies, and therefore, investments. Relative value exposure to special situations and events will predominantly involve investments in a variety of corporate securities, including convertible securities and common stocks, as well as investments in equity and credit derivatives. The Rathmore Strategy is authorized to utilize a variety of different investment techniques and financial instruments including, but not limited to, convertible securities, fixed income securities (including high-yield and distressed corporate fixed income securities), equity securities, futures (including index futures and equity sector futures), OTC derivative instruments, options on stocks and stock indices, short-term investments, and contracts for differences, and is authorized to engage in currency hedging.

Principal risks of investing in the Rathmore Strategy are set forth below.

### *Multi-Asset Investment Strategies*

As noted earlier, LAM also manages certain “multi-asset” investment strategies. Using these strategies, the LAM Multi-Asset portfolio management team allocates assets in a client’s account among various strategies managed by other LAM portfolio management teams. The assets will be invested according to those underlying strategies using separate accounts, mutual funds, private funds or other available vehicles, as applicable. For example, the Emerging Market multi-asset strategy may allocate assets to emerging markets private funds, mutual funds and/or separately managed account vehicles. The LAM Multi-Asset portfolio management team will allocate assets among the underlying strategies in its discretion, consistent with the investment objectives and guidelines associated with the relevant client’s account. In some cases, the multi-asset strategy may differ from the underlying strategy managed by other LAM portfolio management teams. For example, the multi-asset strategy may be more concentrated or customized than its underlying strategy counterpart.

In making allocation decisions, the LAM Multi-Asset portfolio management team will have access to detailed information related to the underlying strategies that may not be available to other investors or clients. This includes, but is not limited to, holdings information, transaction detail, performance information and access to the other LAM portfolio management teams. As a result, the LAM Multi-Asset portfolio management team may be able to achieve performance results that are better than other clients whose assets are managed using one or more of the underlying investment strategies but where LAM is not responsible for the client's asset-allocation decisions.

### *Securities Valuation*

LAM's advisory fees normally are calculated based upon the value of clients' portfolios. For the most part, pricing for securities held in client portfolios is provided by independent third-party pricing vendors. However, LAM has the ability to determine the value of portfolio holdings that are difficult to price, and in such cases has an incentive to select the highest potential price for those securities, although a lower price also would be reasonable. To mitigate that potential conflict, LAM has created a Valuation Committee to oversee the valuation decisions made for the securities held by the firm's sponsored mutual funds, and certain other products, which hold securities that are owned by a large portion of LAM's institutional accounts. The Valuation Committee includes members from LAM control groups such as Legal, Compliance, Operations and Risk Management.

### *Conflicting Equity Positions*

- As previously noted, each LAM portfolio management team typically will implement its investment processes independently of other portfolio management teams. However, because research can be shared at LAM, the firm has procedures to address situations where a transaction in an equity security for one client may conflict with a transaction in the same security for another client. This would include, for example, situations where one portfolio management team seeks to establish a long position in an equity security at the same time that another portfolio management team has established a short position in that same security ("Conflicting Positions"). Such Conflicting Positions could give rise to a potential conflict of interest that LAM's procedures will attempt to avoid or mitigate. Conflicting Positions will only be permitted to the extent they are consistent with LAM's fiduciary obligations to its clients and in compliance with appropriate procedures.
- LAM performs checks for Conflicting Positions during the equity order preparation process. Transactions identified as a potential Conflicting Position will not be effected without approval of a senior member of portfolio management (not involved in the proposed transaction) or LAM's Legal and Compliance department.
- Additional approvals could be required depending on the nature of the Conflicting Position and the member of the portfolio management team involved. In approving a potential Conflicting Position, the following items are generally considered: the investment justification for the transaction; the orientation of the funds in the client's account; the investment objectives/strategies of the client's account; the potential impact on each affected client's account; the overall fairness to each affected

client's account; the potential impact of the transaction on the existing position; the potential market impact of the transaction; the investment horizon for the Conflicting Position; the appearance of impropriety; and any other relevant considerations.

Due to the nature of their investment process, certain LAM investment strategies that are not designed to be based on LAM's global sector equity research generally are exempt from the Conflicting Positions procedures. These include LAM's Equity Advantage, Enhanced Opportunities and Alternative Investments Group investment strategies. Certain other exemptions to the Conflicting Positions procedures may also apply (e.g., with respect to LAM's Multi-Asset strategies where conflicting positions could be held in separate sleeves of an account that allocates to multiple investment strategies managed by LAM).

At times, LAM's Equity Trading Desk will be required to execute orders in the same security on the opposite sides of the market in circumstances that may or may not implicate the Conflicting Positions procedures. LAM generally places such equity orders with different broker-dealers for execution, in order to expose both orders to the market. The trading desk also may use alternative trading systems sponsored by approved broker-dealers to execute such orders.

In some cases, LAM will seek to limit the number of overlapping investments held by separate accounts, mutual funds, private funds or other available vehicles or will choose different securities for one or more accounts that employ similar investment strategies (e.g., concentrated versus diversified strategies). In these circumstances, an account may be disadvantaged by LAM's decision to purchase or maintain an investment in one account to the exclusion of one or more other accounts.

#### *Potential Conflicts - Capital Structure*

Different investment teams at LAM may invest client assets in different securities issued by the same issuer. For example, an investment team employing an equity investment strategy may invest in common stock issued by a company, while another investment team employing a fixed income strategy may invest in bonds issued by the same company. This investing in different parts of a company's capital structure could create conflicts among LAM clients. This could occur, for example, when such a company files for bankruptcy protection. In a bankruptcy proceeding, the interests of creditors and equity shareholders conflict, with the creditors often supporting a plan of reorganization in which the equity shareholders get little, if any, value for the shares they hold. In instances in which such conflicts arise, LAM has adopted a policy under which it will exercise voting rights in the best interest of each respective client, which may contribute to certain clients achieving a more favorable outcome than other clients. LAM will typically not serve on formal creditors committees. Each investment team makes investment decisions it believes are in the best interest of its clients. In certain limited situations, LAM may, however, decide to take on a more active role as a creditor on behalf of certain strategies. This may include more passive participation in an ad hoc committee. In these cases, LAM has adopted a process to oversee such activities to ensure that the interests of each client that holds the securities of the relevant issuer are appropriately considered.

### *Open-End and Closed-End Mutual Funds Sponsored and Managed by LAM*

- In some cases, to achieve greater portfolio diversification and with the client's consent, LAM is authorized to invest all or a portion of a client's assets in one or more portfolios of the open-end funds managed by LAM. LAM is the investment manager of each portfolio of LFI and LRS (each, a "Fund" and together, the "Funds"). LAM Securities serves as the distributor of the Funds' shares. LAM and LAM Securities' fees from the Funds are described in each Fund's summary prospectus, prospectus, statement of additional information and each Fund's annual and semi-annual shareholder reports. In addition, accounts that do not meet the requirement of the Institutional class of shares of LFI may be placed in the Open class of shares of LFI (subject to LAM's discretion), which carry an additional 25 basis point Rule 12b-1 service and distribution fee. LAM Securities receives 12b-1 fees equal to 25 basis points on average daily net assets for distribution of portfolio shares for the Open class of shares.
- For clients with a portion of their assets invested in shares of a portfolio of the Funds, depending upon the terms of the advisory agreement with a client, the advisory fee payable to LAM generally will be offset by an amount equal to the aggregate management fee and Rule 12b-1 fee payable with respect to the client's assets that are invested in the Funds, or, alternatively LAM will not charge its separate account advisory fee on those assets invested in the Funds. In the latter case, LAM's overall fee will depend on the proportion of a client's account allocated to a Fund. If the fee LAM receives from the Fund is higher than the fee it receives from the client for managing the account, then LAM's overall fee will increase as the allocation to the Fund increases.
- As described above, LAM also acts as the investment manager of LRS. Shares of LRS portfolios are only available to be purchased by separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. LAM's fee from LRS is described in the prospectus or summary prospectus for each portfolio of LRS. Accounts that do not meet the requirement of the Investor class of shares of LRS may be placed in the Service class of shares of LRS (subject to LAM's discretion), which carry an additional 25 basis point Rule 12b-1 service and distribution fee. LAM Securities receives 12b-1 fees equal to 25 basis points on average daily net assets for distribution of portfolio shares for the Service class of shares.
- LAM pays additional amounts out of its own resources to third parties in exchange for the provision of services to the Funds. See Item 10.

### *Private Funds*

- LAM also acts as an investment manager for several private funds, including hedge funds and certain commingled funds and trusts. Such funds are offered only in accordance with the suitability requirements set forth in their respective offering memoranda and in compliance with federal and state laws applicable to the offering of such funds.

- LAM manages different types of investment vehicles in accordance with the same investment strategy. For example, LAM manages separate accounts, mutual funds, a group trust, an institutional trust and a collective investment trust in accordance with its emerging markets equity investment strategy, subject to differences as a result of legal or regulatory requirements or, for separate accounts, client-imposed guidelines. LAM also manages certain hedge funds and separately managed accounts in accordance with the same investment strategy. Therefore, while each vehicle is generally subject to certain specific limitations, client-imposed or otherwise, and invested in the same underlying securities, there are differing levels of transparency associated with each type of investment vehicle. For example, clients invested in certain pooled investment vehicles managed by LAM (i.e., a group trust) may be provided with greater transparency with respect to portfolio holdings than investors in a mutual fund, while clients invested in separately managed accounts have daily access to portfolio holdings information. Similarly, clients invested in separately managed accounts (who have daily access to portfolio holdings information) have greater transparency with respect to portfolio holdings than clients invested in hedge funds utilizing the same investment strategy. Additionally, different vehicles managed in accordance with the same strategy may have differing liquidity terms. For example, a mutual fund and group trust may be managed in accordance with the same investment strategy, but the mutual fund offers daily liquidity while the group trust may only offer monthly liquidity.
- The respective offering memorandum for each of the private funds managed by LAM or its affiliates contains a detailed description of each fund’s investment strategy and the associated investment risks, including material conflicts of interest with LAM and its affiliates. These funds are offered only to prospective investors who meet the qualification requirements of each respective fund pursuant to an offering memorandum. An investment in such funds is speculative and involves a high degree of risk. The funds generally are not subject to regulatory restrictions or oversight. Opportunities for redemptions and transferability of interests/shares in the funds are generally restricted so investors may not have access to their capital if and when it is needed. There is no secondary market for an investor’s interests/shares in any such fund and none is expected to develop. Each fund’s management and incentive fees/allocations (if applicable) and expenses will offset trading profits. An investor should not invest in the funds unless the investor is prepared to lose all or a substantial portion of its investment.
- LAM or its affiliates have and may continue to enter into certain “side letter” arrangements with respect to investments in private funds, including side letter arrangements in which LAM or its affiliate agrees to charge a management fee or incentive fee/allocation that differs from the fee/allocation structure stated in the offering memorandum for such fund.

#### *Model Portfolio Programs and Non-Discretionary Arrangements*

LAM provides non-discretionary investment advice to Model Recipients (through participation in model-based wrap programs or other non-discretionary advisory relationships) where LAM provides model portfolios and, in certain cases, handles trading and other functions. The recommendations made in the model portfolios provided to the Model Recipient may reflect recommendations being made by LAM contemporaneously to, or investment advisory decisions made contemporaneously for, similarly situated

discretionary or other clients of LAM. As such, it is possible that, depending on the particular circumstances surrounding an order, LAM's discretionary clients may receive prices that are more favorable than those received by the Model Recipient, or vice versa. Please refer to Item 12 for more information regarding how LAM communicates model portfolio holdings to clients under different circumstances and LAM's trading processes.

### *Regulatory Restrictions*

From time to time, LAM's activities will be limited or restricted because of regulatory requirements and/or its internal policies designed to comply with or limit the applicability of such requirements. These limitations and restrictions may result from regulations in the U.S. as well as other jurisdictions. For example, there may be periods when LAM, at its discretion, will not initiate or recommend certain transactions or types of transactions in certain securities or instruments (including buying or selling such securities or instruments). This may occur, for example, where LAM or any of its affiliates has a business relationship with, or is performing other services for, an issuer of the related security, or when position limits have been reached, or for other reasons. Similar situations could arise if LAM personnel or personnel of such affiliates serve as directors of companies the securities of which LAM, or an entity managed by LAM, wishes to purchase or sell. In addition, LAM will from time to time acquire confidential information or otherwise be restricted from effecting transactions in certain investments and, in such event, LAM will not be free to divulge, or act upon, any such confidential information. Moreover, due to such confidential information or restrictions, LAM may restrict all purchases or sales of such securities and may not initiate or liquidate investments in the manner in which it otherwise would.

LAM may refrain from providing advice or services concerning securities of issuers of which any officers, directors, members or employees of LAM (or its affiliates) are officers or directors, or of companies for which LAM or its affiliates act as financial adviser, investment manager or in any capacity that LAM deems confidential, unless LAM determines in its sole discretion that it may appropriately do so. LAM has established certain procedures to prevent material, non-public information that LAM or its affiliates may obtain as a result of such relationships from being disseminated within LAM.

### *Certain Risks Related to Principal Investment Strategies Managed by LAM*

There are risks involved with any type of investment program. A summary of certain risks of investing in accordance with the principal investment strategies managed by LAM is set forth below. The particular investment risks to which a client is subject will differ depending on the particular strategy, strategies or product in which such client has invested, and the securities and investments comprising such product or strategy. Only certain of the risks mentioned below will apply to a particular client's account or investment. Additionally, the list below is not a comprehensive list of all of the risks relating to the investment strategies and products managed by LAM.

### *General Risks*

- Investing involves risk of loss that clients should be prepared to bear.

- LAM may invest in securities it believes to be undervalued, but that may not realize their perceived value for extended periods of time or may never realize their perceived value.
- Securities comprising LAM's investment strategies may respond differently to market and other developments than other types of securities.
- Performance of LAM's investment strategies is largely dependent on the talents and efforts of its investment professionals. There can be no assurance that LAM investment professionals will continue to be associated with LAM and the failure to retain such investment professionals could have an adverse effect on the value of an investment.
- LAM manages various investment strategies that may invest in the same securities. However, certain investment strategies are, by their nature, more flexible with respect to investment style and process than others managed by LAM. Depending on the particular investment strategy and its portfolio management team, one strategy may hold a security for a longer or shorter period of time than another strategy (including initial public offering securities). Such differences may contribute significantly to disparate investment performance of the strategies despite the fact that the strategies may hold the same securities.

#### *Risks Related to Equity Securities*

- LAM may invest in equity securities it believes have the potential for growth, but that may not realize such perceived potential for extended periods of time or may never realize such perceived growth potential. Such securities may be more volatile than other equity securities because they can be more sensitive to investor perceptions of the issuing company's growth potential.
- Small- and mid-capitalization stocks may be subject to higher degrees of risk, their earnings may be less predictable, their prices more volatile, and their liquidity less than that of large-capitalization or more established companies' securities.

#### *Risks Related to Debt Securities*

- An investment in debt securities carries risk. If interest rates rise, debt security prices usually decline. The longer a debt security's maturity, the greater the impact a change in interest rates can have on its price. If a debt security is not held until maturity, an investor may experience a gain or loss when the security is sold. Debt securities also carry the risk of default, which is the risk that the issuer is unable to make further income and principal payments. Other risks, including inflation risk, call risk, and pre-payment risk, also apply.
- Some debt securities may give the issuer the option to call, or redeem, the securities before their maturity, and, during a time of declining interest rates, LAM may have to reinvest the proceeds in an investment offering a lower yield and may not benefit from any increase in the value of its portfolio holdings as a result of declining interest rates.



- The lack of a readily available market may limit the ability to sell certain securities at a favorable time and price. The size of certain debt securities offerings of emerging markets issuers may be relatively smaller in size than debt offerings in more developed markets and, in some cases, LAM may hold a position in a security that is large relative to the typical trading volume for that security; these factors can make it difficult to dispose of the position at the desired time or price.
- Lower-rated, higher-yielding securities are subject to greater credit risk than higher rated investments. Credit risk is the risk that the issuer will not make interest or principal payments, or will not make payments on a timely basis. Non-investment grade securities tend to be more volatile, less liquid and are considered speculative. If there is a decline, or perceived decline, in the credit quality of a debt security (or any guarantor of payment on such security), the security's value could fall.

#### *Risks Related to Municipal Securities*

- A primary risk of municipal securities, like other fixed income securities, is credit risk. Payment by the issuer may depend on a relatively limited source of revenue, resulting in greater credit risk.
- The value of municipal securities can fluctuate and may be affected by adverse tax law, legislative or political changes, and by financial or other developments affecting municipal issuers and the municipal securities market generally. If there is a decline, or perceived decline, in the credit quality of a municipal security (or institutions providing credit and liquidity enhancements), the security's value could fall.

#### *Risks Related to Non-U.S. Securities*

- Securities in certain non-U.S. countries may be less liquid, more volatile, and less subject to governmental supervision than in one's home market. The value of these securities may be affected by changes in currency rates, application of a country's specific tax laws, changes in government administration, sanctions programs, and economic and monetary policy.

#### *Risks Related to Emerging and Frontier Markets Securities*

- Emerging and frontier market securities carry special risks, such as less developed or less efficient trading markets, a lack of company information, and differing auditing and legal standards. The securities markets of emerging and frontier market countries can be extremely volatile; performance can also be influenced by political, social, and economic factors affecting companies in emerging and frontier market countries, including the risk of privatization.

#### *Risks Related to Investments in REITs and Real Estate-Related Securities (together, "Realty Companies")*

- Realty Companies may be affected to a great extent by the current status of the real estate industry in general, or by other factors (such as interest rates and the availability of loan capital) that may affect the real estate industry, even if other industries would not be so affected.

- The risks related to investments in Realty Companies include, but are not limited to: adverse changes in general economic and local market conditions; adverse developments in employment; changes in supply or demand for similar or competing properties; unfavorable changes in applicable taxes, governmental regulations and interest rates; operating or development expenses; and lack of available financing.
- An investment in REITs may be adversely affected or lost if the REIT fails to comply with applicable laws and regulations, including but not limited to, compliance with the relevant portions of the Internal Revenue Code of 1986 which could, among other things, cause a REIT to liquidate investments, borrow funds under adverse conditions or, possibly, fail.

#### *Risks Related to Convertible Securities*

- Convertible arbitrage strategies generally involve price spreads between the convertible security and the underlying equity security. The prices of these investments can be volatile and market movements are difficult to predict. Event-driven investing requires LAM to make predictions about (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of a company's financial instruments. If the event fails to occur or it does not have the effect foreseen, losses can result.

#### *Risks Related to Special Situations*

- Investments in special situations in events sometimes involve holding securities which lack significant liquidity in the market. In addition, the activities of strategies that involve investments in special situations may be restricted because of regulatory requirements applicable to LAM and/or its internal policies designed to comply with or limit the applicability of such requirements. In addition, regulatory requirements may prohibit certain clients of LAM from investing in certain special situations.

#### *Risks Related to Multi-Asset Investment Strategies*

- With respect to certain "multi-asset" investment strategies, LAM's ability to achieve its objective depends in part on its skill in determining the allocation between or among certain underlying investment strategies. LAM's evaluations and assumptions underlying its allocation decisions may differ from actual market conditions. In addition, the multi-asset strategy may differ from the underlying strategy in that it is more concentrated or customized than the underlying strategy it seeks to replicate.

#### *Risks Related to Quantitative Investment Strategies*

- Certain investment strategies of LAM rely upon quantitative models and filters which, if incorrect or malfunctioning, may adversely affect performance. LAM's ability to monitor and, if necessary, adjust its quantitative models could be adversely affected by various factors, including incorrect or outdated market and other data inputs. For example, factors that affect a security's value can

change over time, and these changes may not be reflected in a quantitative model. In addition, factors used in quantitative analysis and the weight placed on those factors may not be predictive of a security's value. Quantitative models may experience technical disruptions, fail to operate properly or have technical limitations, including capacity constraints.

#### *Risks Related to Engaging in Leverage*

- Certain strategies may utilize leverage by borrowing funds from securities broker-dealers, banks or others and such borrowing may utilize significant amounts to take advantage of perceived opportunities, such as short-term price disparities between markets or related securities. Such leverage increases both the possibilities for profit and the risk of loss.

#### *Risks Related to Short Selling*

- Certain strategies may engage in short selling which can, in some circumstances, substantially increase the impact of adverse price movements. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying securities to cover the short position.

#### *Risks Related to Derivatives Transactions*

- Derivatives transactions, including those entered into for hedging purposes, may reduce returns or increase volatility. Derivatives transactions involve a number of risks, certain of which are described elsewhere, including, but not limited to, market risk, credit risk and leverage. Forward currency contracts, OTC options on securities and currencies and swap agreements as well as other derivatives, are subject to the risk of default by the counterparty, in addition to risks of changes in the value of the related currency, securities or other reference asset. Additionally, derivatives are subject to the risk that changes in the value of a derivative may not correlate perfectly with the related currency, securities or other reference asset. Many derivatives also can be illiquid and highly sensitive to changes in the related currency, securities or other reference asset. As such, a small investment in certain derivatives could have a potentially large impact on performance. Additionally, there can be no assurance that derivative transactions will be available in all circumstances or that LAM's use of such transactions will reduce exposure to other risks or that using such derivative transactions will be beneficial to a particular client, account or pooled vehicle.

#### *Risks Related to Arrangements with Counterparties*

- As noted in Item 4, LAM may utilize certain OTC derivatives in managing client accounts and pooled vehicles. The stability and liquidity of OTC transactions depends in large part on the creditworthiness of the parties to the transactions. Unlike derivatives traded on a clearing exchange, where the clearinghouse is designed to obviate the need for bilateral credit evaluation and which exchanges are structured, capitalized and regulated to mitigate counterparty credit and default risk, OTC, bilateral derivatives contracts expose LAM's clients to the individual credit and default risk of the clients' counterparties, including the risk that a counterparty will not settle a

transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus exposing the client to a risk of loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where LAM’s clients or pooled vehicles have concentrated their transactions with a single or small group of counterparties.

- If there is a default by a counterparty, LAM’s clients under normal circumstances will have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs, and the amount recovered may be less than the full amount owed. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. In such case, the recovery of a client’s collateral posted in respect of derivatives transactions from such counterparty, or the payment of claims therefor, may be significantly delayed or the client may not recover any or all of its collateral.
- LAM may use counterparties in jurisdictions outside the United States, either through its own discretion or to meet client requirements. Such non-U.S. counterparties usually are subject to laws and regulations in non-U.S. jurisdictions that are designed to protect customers in the event of their insolvency. However, the practical effect of these laws and regulations and their application to LAM’s clients’ assets are subject to substantial limitations and uncertainties and differ from U.S. laws and regulations. Because of the range of possible scenarios involving the insolvency of a non-U.S. counterparty and the potentially large number of entities and jurisdictions that may be involved, it is impossible to generalize about the impact of such an insolvency on LAM’s clients and their accounts. The insolvency of any such counterparty would likely result in significant delays in recovering collateral from such counterparty, or the payment of claims therefor by such counterparty, and a loss to the affected clients.

#### *Risks Related to Currency Investments*

- Fluctuations in currency exchange rates can cause a decline in the value of portfolio securities, irrespective of any foreign currency exposure hedging.
- The inability to predict movements in exchange rates and imperfect correlations between movements in exchange rates and movements in the currency hedged may cause portfolio losses.

#### *Risks Related to Commodities*

- The value of commodity and commodity-linked derivative instruments are affected by events that may have less impact on the values of traditional equity and/or fixed income securities. The prices of such investments may be impacted by business, financial market, political and/or legal uncertainties. Investments linked to the prices of commodities are considered speculative.

### *Risks Related to Illiquid Securities*

- Securities that are not readily marketable, such as securities that are subject to legal or contractual restrictions on resale (such as private placements and certain restricted securities), and other types of illiquid or less-liquid securities, may be difficult to value accurately, and clients are subject to the risk that it may be difficult or impossible to find a buyer for such securities at a desired time and/or at a price that is deemed to be representative of their value. As such, portfolio losses could occur.

### *Risks Related to Investments in ETFs, Open-End and Closed-End Funds*

- Certain LAM investment strategies may invest in shares of ETFs, open-end funds and closed-end funds or other similar products (“Underlying Funds”). ETFs and closed-end funds may trade at prices that vary from their net asset value, sometimes significantly. Performance of an ETF pursuing a passive index-based strategy may diverge from the performance of the index. Investments in Underlying Funds are subject to the risks of such Underlying Fund’s investments, and investors will bear not only the management fees and operating expenses charged by LAM or a fund managed by LAM, but also their proportional share of the management fees and operating expenses of the Underlying Funds. Clients can invest directly in Underlying Funds without incurring additional fees by investing through LAM.

### *Risks Related to Technology, Security and Business Continuity*

- LAM’s investment activities, including certain investment strategies, rely in part on various technology systems, including proprietary and third-party software. To operate effectively, some of these systems depend upon a large volume of data from LAM as well as third-party sources. LAM has devoted resources to develop and maintain its own systems. It also has undertaken efforts to evaluate and/or monitor third-parties that provide systems and data. Despite these efforts, there is a risk that system interruptions or inaccurate data may impact LAM and its clients. LAM’s response to such incidents will be designed to remediate any issues on a timely basis, although the details of LAM’s response depend upon case-by-case circumstances.
- As part of its business, LAM also processes, stores and transmits large amounts of electronic information, including information relating to the transactions of clients and, in some cases, personally identifiable information of its clients. LAM has procedures and systems in place designed to protect such information and prevent data loss and security breaches. Similarly, LAM’s service providers and Fund service providers may process, store and transmit such information. Each service provider has represented to LAM that it has procedures and systems in place designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise LAM’s information security. Online services provided by LAM to investors may also be susceptible to compromise.

- The loss or improper access, use or disclosure of LAM's or LAM's clients' proprietary information may cause LAM or its clients to suffer, among other things, financial loss, disruption of its business, liability to third parties, regulatory intervention or reputational damage.
- Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which LAM invests on behalf of its clients; counterparties with which a client engages in transactions; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, insurance companies, and other financial institutions; and other parties. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.
- LAM maintains a business continuity plan designed to maintain critical functions in the event of a partial or total building outage affecting its offices or a technical problem affecting applications, data centers or networks. Nevertheless, LAM's ability to conduct business may be curtailed by a disruption in the infrastructure that supports its operations and the regions in which LAM's offices are located.

## **Item 9 – Disciplinary Information**

LAM has no information to report with respect to this item.

## **Item 10 – Other Financial Industry Activities and Affiliations**

### *Broker-Dealer Registration Status*

LAM is not a registered broker-dealer.

However, LAM is a subsidiary of LF&Co. (CRD# 2528), which is a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”) and a registered broker-dealer under the Securities Exchange Act of 1934 (the “Exchange Act”). LF&Co. is a New York limited liability company with one member, Lazard Group LLC, a Delaware limited liability company. Interests of Lazard Group LLC are indirectly held by Lazard Ltd, which is a Bermuda based corporation with shares that are publicly traded on the NYSE (NYSE: LAZ). Interests of Lazard Ltd are held by public stockholders and current and former Managing Directors and employees of Lazard Ltd and its subsidiaries. From time to time, LF&Co. may refer prospective clients to LAM.

In addition, LAM Securities (CRD# 129119), a subsidiary of LAM, is a member of FINRA and a broker-dealer registered under the Exchange Act.

LAM Securities acts as the distributor of the Funds and as a placement agent for the private funds managed by LAM. Certain employees of LAM and LAM Securities are licensed registered representatives of LAM Securities for purposes of offering or selling securities issued by the Funds and the private funds managed by LAM. In addition, LAM Securities acts as an introducing broker with respect to certain of LAM's

clients. LAM Securities acts on behalf of these accounts pursuant to a clearing agreement entered into between LAM Securities and Pershing LLC (CRD #7560).

Please see Item 12 below for a discussion of LAM's brokerage practices and additional information regarding principal trading.

#### *Investment Companies and Other Pooled Investment Vehicles*

LAM has entered into advisory and/or sub-advisory agreements with multiple investment companies registered under the 1940 Act, including the Funds, LGI, LOR and certain other unaffiliated investment companies pursuant to which LAM is paid a fee, generally based on the percentage of assets under management. In addition, LAM, together with its affiliates, serves as a general partner or investment manager to various private funds in which clients are solicited to invest. Certain personnel of LAM are also directors, trustees and/or officers of these investment companies as well as other pooled investment vehicles, including hedge and private funds.

#### *Other Investment Advisers*

LAM has investment advisory subsidiaries and affiliates in and outside of the United States. LAM also provides certain services to Lazard Frères Gestion ("LFG") in Paris, France.

In performing investment management services for certain accounts, including funds managed or advised by LAM, LAM may draw upon the resources of its investment management subsidiaries and affiliates, including by utilizing the expertise of personnel that it shares with such affiliates for investment management, research and trading services. While performing such services, these shared personnel act as personnel of LAM and these affiliates are considered "Participating Affiliates" as described by the SEC.

LAM has entered into intercompany agreements with certain of its investment advisory subsidiaries and affiliates, pursuant to which LAM provides investment advice to their respective clients or pursuant to which such investment advisory subsidiaries and affiliates provide investment management, research, and trading services to LAM.

#### *CFTC and NFA Registration/Exemption Status*

LAM is registered as a commodity pool operator ("CPO") and a commodity trading advisor ("CTA") with the CFTC and is a member of the National Futures Association ("NFA") in such capacities. LAM is only registered as a CPO with respect to certain pooled vehicles which are operated pursuant to CFTC Rules 4.7 or 4.12. In most cases, pooled vehicles managed by LAM rely on certain no-action or de minimis exemptions from registration. Similarly, although LAM has registered as a CTA, it is able to rely on certain exemptions from regulation as a CTA with respect to most of its advisory business. In each such case, LAM has made the appropriate filings to perfect such exemptions.

LAM Securities is registered with the CFTC as an introducing broker and is a member of the NFA in such capacity. In addition, certain employees of LAM and LAM Securities are registered with the NFA as Associated Persons, if necessary or appropriate to perform their responsibilities.

#### *Funds – Policies Relating to Market Timing and Late Trading*

As the investment manager to the Funds, LAM discourages market-timing activity. While LAM cannot prevent all such activities, LAM and the Funds have implemented reasonable measures designed to deter market-timing activity. Please refer to the prospectus and statement of additional information for each Fund for more detailed information regarding each Fund’s trading policies.

#### *Payments to Fund Intermediaries*

Intermediaries receive payments pursuant to the Funds’ 12b-1 plans and/or from LAM (in addition to such 12b-1 payments) in connection with their offering of the Funds’ shares and/or for providing marketing, shareholder servicing, account administration or other services. The receipt of such payments creates an incentive for the intermediaries to offer shares of the Funds instead of other mutual funds that do not make these payments. These additional payments may be paid to intermediaries that provide shareholder servicing and administration and/or marketing and related administrative support; opportunities to participate in conferences and educational workshops, meetings and events; and/or access to and information about sales meetings and conferences and sales representatives, financial advisors or management personnel of the intermediary. Cash compensation may also be paid to financial intermediaries in connection with consideration or inclusion of the Funds for or on a “recommended” or similar list, including a preferred or select sales list, or in other programs. In some cases, these payments create an incentive for a financial Intermediary or its representatives to recommend or sell Fund shares.

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

Employees are subject to LAM’s Code of Ethics. In general, LAM personnel are prohibited from effecting transactions in securities for their own account, or for accounts in which they have an interest or control (“personal securities accounts”), within seven days before or after a client account trades in the same security (the “blackout period”), or where such securities are contemplated for purchase or sale for a client account or are the subject of an unexecuted order for a client account. In addition, personnel are prohibited from purchasing and selling or selling and purchasing securities, including shares of mutual funds for which LAM serves as investment adviser or sub-adviser and any derivatives, within any 90-day period. These restrictions are subject to certain limited exemptions set forth in the Code of Ethics, which LAM’s Chief Compliance Officer or his designee may determine apply. For example, the blackout period and 90-day holding period do not apply to transactions in (i) open-end mutual funds that are not advised or sub-advised by LAM and (ii) non-levered broad-based ETFs and ETNs. Additionally, a de minimis exemption permits an employee, irrespective of the blackout period, to engage in an equity buy or sell transaction or series of transactions that do not exceed an aggregate transaction amount of (i) \$50,000 of any security of an issuer having a market capitalization (outstanding shares multiplied by current price per share) greater than \$5 billion and (ii) \$25,000 of any security of an issuer having a market capitalization between \$500 million



and \$5 billion. The de minimis exemption for fixed income securities applies to transactions which in aggregate do not exceed \$25,000 face value in securities of an issuer with a market capitalization greater than \$5 billion for its equity securities.

All personnel must pre-clear all trades (except open-end mutual funds advised or sub-advised by a manager other than LAM, non-levered broad-based ETFs and ETNs, and certain other securities or transactions as set forth in the Code of Ethics) for personal securities accounts with compliance personnel. All personnel are prohibited from purchasing a security for a personal securities account in an initial public offering. Personnel must obtain preclearance from the Compliance department before investing in a private placement. These restrictions do not apply to trades with respect to U.S. government securities. These restrictions also do not apply to accounts in which the applicable personnel have an interest but which are subject to a discretionary investment management agreement, whether with LAM or another manager.

Pursuant to LAM's Code of Ethics, employees of LAM are required to maintain their accounts at an approved firm or obtain permission from LAM's Chief Compliance Officer or his designee to maintain an account at another firm. All personnel must report most personal securities transactions and holdings periodically and certify on an annual basis that they have read and understood the Code of Ethics and have disclosed all personal securities transactions required pursuant to the Code of Ethics. LAM will provide a copy of its Code of Ethics to any client or prospective client upon request.

Personnel may be from time to time able to invest in certain pooled vehicles for which LAM or a related person acts as investment adviser. In addition, LAM manages certain accounts on behalf of its personnel pursuant to a discretionary investment management agreement. Personnel often pay no advisory fees with respect to such accounts or pay lower advisory fees than are offered to non-personnel with respect to the investment strategies employed by such accounts. These investment vehicles and accounts are treated as discretionary clients and are not subject to the personal trading restrictions described above. In addition, orders for such investment vehicles and accounts will generally be aggregated with orders for other client accounts for purposes of trade execution (see Item 12).

Employees of LAM and its affiliates from time to time may purchase, sell, or hold positions in securities recommended to clients, including purchasing securities that are being sold for clients and vice versa and may purchase, sell or hold positions in LAM's proprietary investment products, including hedge funds, in which other LAM clients also invest. All LAM employees are required to comply with the Code of Ethics that requires pre-clearance of all securities transactions, subject to certain exemptions as described above. Employee securities transactions are reviewed by members of the Legal and Compliance department to determine consistency with the provisions of the Code of Ethics and avoid potential conflicts of interest. Additionally, employees may hold positions in hedge funds also held in products (e.g., fund of hedge funds) managed by LAM or an affiliate. Such investments are reviewed by LAM's Chief Compliance Officer or his designee to ensure that they do not materially conflict with LAM's fiduciary duties.

LAM from time to time recommends to certain individual and institutional clients that they purchase shares of mutual funds sponsored and/or advised by LAM or an affiliate pending investment of assets or as part of their investment program. LAM's recommendation of such funds creates a potential conflict of interest in that LAM or an affiliate receives a management fee in connection with the management of such funds

and the management fee for a mutual fund is not negotiable while management fees for other pooled vehicles or separately managed accounts are negotiable. Therefore, LAM faces a potential conflict of interest in that it has an incentive to recommend a mutual fund investment over another vehicle that generates a lower fee for LAM. Similar potential conflicts of interest exist where a portfolio manager's compensation is higher for one strategy managed by the portfolio manager than others managed by the same portfolio manager. However, as previously mentioned, the following factors and policies mitigate such potential conflicts of interest:

- LAM employees must act in the best interests of clients and in accordance with LAM's fiduciary obligations to clients.
- In light of the nature of LAM's business and client base, clients typically choose the investment vehicle utilized with respect to a particular mandate as well as the investment mandate.
- LAM sets certain minimum account thresholds for separately managed accounts and other pooled vehicles that will typically also assist a client in determining the appropriate vehicle. Ultimately, however, the client, and not LAM, is responsible to choose the appropriate vehicle in which to invest.
- LAM employees only provide investment advice with respect to LAM products.

Clients, along with other fund shareholders, bear a proportionate share of the expenses of the funds in which they are invested, including, to the extent permitted by law, the management fee paid to LAM or an affiliate. With respect to funds that pay distribution fees, clients may also bear a portion of such distribution fees.

If the investment strategy chosen by a client includes allocations to funds managed by LAM or an affiliate of LAM, LAM and/or its affiliate may receive a management fee in addition to the advisory fee charged to the client for managing the assets in accordance with the strategy, except to the extent prohibited by law or as otherwise agreed to by LAM.

However, for clients with a portion of their assets invested in shares of a portfolio of the Funds, depending upon the terms of the advisory agreement with a client, the advisory fee payable to LAM generally will be offset by an amount equal to the aggregate management fee and Rule 12b-1 fee payable with respect to the client's assets that are invested in the Funds, or, alternatively LAM will not charge its separate account advisory fee on those assets invested in the Funds. In the latter case, LAM's overall fee will depend on the proportion of a client's account allocated to a Fund. If the fee LAM receives from the Fund is higher than the fee it receives from the client for managing the account, then LAM's overall fee will increase as the allocation to the Fund increases.

LAM is also, directly or through a wholly-owned subsidiary, a general partner or manager of certain private funds. For certain clients, LAM recommends that its clients invest in such private funds. Such recommendations are subject to the same potential conflicts noted above with respect to LAM's recommendation of mutual funds for which it serves as investment adviser. As with mutual fund

recommendations, the same fiduciary obligations apply. Additionally, private funds are subject to more onerous eligibility requirements than mutual funds; therefore, not all clients will be eligible to invest in private funds.

LAM's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting LAM's General Counsel at (212) 632-6000.

## **Item 12 - Brokerage Practices**

### *Equity Strategies*

LAM has authority to determine the broker-dealers to be used when effecting transactions on behalf of its clients and in establishing the commission rate paid on each transaction. LAM's Equity Brokerage Committee, which consists of certain of LAM's senior investment professionals, and senior members of LAM's Operations and Legal and Compliance groups, oversees LAM's equity brokerage practices.

The Equity Brokerage Committee has established a process for determining the broker-dealers to be used in executing equity trades (with the specific decision on which broker-dealer to use in a particular transaction to be made by the Equity Trading Desk). The Committee has also determined standard execution-only and full service equity commission rates by country. The Committee meets at least once a quarter to oversee and assess the services provided by equity counterparties, including equity brokers which help the firm acquire research services through commission sharing arrangements. Among other things, the Committee reviews the firm's list of approved brokers, the performance of brokers pursuant to LAM's best execution policies, and information related to commission sharing arrangements that LAM has in place with certain approved brokers. The Committee also reviews the results of LAM's internal trader survey, which will be conducted twice per year and is designed to evaluate the execution capabilities of approved brokers. The survey results help define the "top tier" brokers expected to execute a significant percentage of client equity trades.

Participants in the internal trader survey may take into account a variety of factors designed to address LAM's obligation to seek best execution on behalf of its clients. These factors include, but are not limited to, the ability of a broker-dealer to provide prompt and efficient execution generally; the ability and willingness of a broker-dealer to facilitate transactions by acting as principal and utilizing its own capital to facilitate trades; the ability of a broker-dealer to provide accurate and timely settlement of transactions; LAM's knowledge of the negotiated commission rates currently available and other current transaction costs; the clearance and settlement capabilities of the broker; LAM's knowledge of the financial condition of the broker or dealer selected; as well as any other matter relevant to the selection of a broker-dealer.

LAM has no duty or obligation to seek in advance competitive bidding or the lowest commission rate applicable to any particular portfolio transaction. Based upon its review of available information, LAM has established standard execution-only and full service equity commission rates paid to execution brokers by country. LAM's traders may deviate from standard execution-only rates when working orders that require brokers to commit capital or provide other non-standard execution services. LAM's standard equity commission rates for low-touch venues (i.e., ECNs, algorithms, and program trading) are set at lower levels

than full-service rates. Due to the nature of the types of equity and other trades executed for the Rathmore Strategy and the Global Convertibles Strategy, those clients may be charged lower brokerage commissions than the clients invested in other strategies where trading is conducted through the Equity Trading Desk.

Equity transactions for investment advisory accounts are effected directly by brokers selected by LAM, unless specific broker direction instructions are provided by a client. In arranging for clients' securities transactions, LAM is primarily concerned with seeking best execution under the circumstances applicable to those transactions. In trading for all of its clients, LAM operates within the framework imposed by relevant securities laws and, where applicable, the Employee Retirement Income Security Act ("ERISA"), as well as any directions or restrictions (including any client directions to use a particular broker or dealer) imposed by clients for their accounts. Within this framework, LAM employs or deals with members of securities exchanges and registered broker-dealers which can provide best execution in the judgment of LAM. In determining the ability of an exchange member or broker-dealer to obtain best execution on a transaction, LAM will consider all relevant factors, including those described in the paragraph above.

LAM evaluates the reasonableness of brokerage commissions while effecting portfolio transactions based on the foregoing factors. The general level of brokerage commissions paid is reviewed periodically by LAM. LAM periodically reviews reports compiled by a third-party vendor detailing LAM's portfolio transaction costs and other relevant materials to ensure that LAM's clients are treated equitably and that LAM is meeting its duty to seek best execution.

Please refer to Item 4 above for a description of arrangements relating to FX transactions for client accounts which are typically effected through the FX desk at a client's custodian bank, either through the use of standing instructions issued by LAM or negotiated directly by LAM, generally with a client's custodian bank.

#### *Fixed Income and Convertible Strategies*

The duty to seek best execution generally applies to all of LAM's portfolio transactions, including those relating to fixed income securities. Certain factors outlined above with respect to the ability of a broker to provide best execution are also considered when LAM manages its fixed income portfolios or portfolios managed in accordance with the Rathmore Strategy or the Global Convertibles Strategy. However, certain factors would not be considered with respect to a broker's ability to provide best execution with respect to fixed income securities, such as LAM's knowledge of the negotiated commission rates currently available and other current transaction costs and the ability and willingness of a broker-dealer to facilitate transactions by acting as principal and utilizing its own capital to facilitate trades. These, and other similar considerations, are not applicable to the best execution analysis utilized in trading fixed income securities due to the nature of fixed income securities and the way such securities are traded. The Fixed Income Brokerage Committee oversees trading issues related to LAM's fixed income products and is comprised of senior members of LAM's Fixed Income Portfolio Management, Legal and Compliance, Operations and Risk Management departments.

### *Wrap Fee Programs and Communication of Model Portfolio Holdings*

As previously noted, LAM will participate in wrap fee programs where LAM executes trades on behalf of wrap program clients. Additionally, LAM will provide non-discretionary investment advice by delivering model securities portfolios to Model Recipients. In most cases, LAM delivers the model to the Model Recipient who then handles trading.

LAM may execute orders for wrap accounts separately from transactions for its institutional accounts and similar accounts. LAM's discretionary wrap account clients and Model Recipients from time to time may trade the same securities at the same time. In these circumstances, LAM will use a methodology to deliver model holdings to Model Recipients and effect trading on behalf of its other clients, including wrap account clients, that it believes to be fair and equitable. Normally, this methodology will place wrap accounts and Model Recipients in a randomly generated trade rotation, although LAM may use another methodology that it believes to be fair and equitable.

The details of a particular trade rotation used by LAM when delivering model holdings to Model Recipients and effecting trading on behalf of its other clients, including wrap account clients, may differ depending on the particular facts and circumstances. A typical rotation involves the generation of a random list of wrap sponsors and Model Recipients. LAM will then submit trade instructions (i.e., by effecting trades on behalf of a wrap program or distributing model holdings to a Model Recipient, as applicable) to the first entry in the rotation and then to the next entry, typically until all entries in the rotation have received appropriate instructions. In implementing the trade rotation, LAM may seek to aggregate trades among wrap programs that allow "step out" trades to be executed, and these trades may be further aggregated with trades that LAM is effecting on behalf of other discretionary accounts. There will from time to time be circumstances that cause a particular wrap sponsor or Model Recipient to not be able to receive trade instructions in accordance with LAM's pre-established trade rotation, which will result in the program or Model Recipient (as applicable) moving to the end of the rotation. As a result, those wrap accounts or Model Recipients will receive different, and perhaps less favorable, prices for their transactions than they would have had the sponsor or Model Recipient received the trade instructions or model holdings (as applicable) in the original trade rotation. Additionally, LAM may utilize a rotation or allocation method other than those described above if LAM believes such rotation or method is appropriate under the circumstances and such alternative rotation is fair and equitable.

Because of the mechanics of the trade rotation process and other factors, trading for LAM's institutional and other discretionary accounts normally will begin when the trade rotation process begins and may be completed prior to the completion of all trades for wrap accounts and may be effected at the same time as trades are being executed for wrap accounts and Model Recipients. As a consequence, trading by or for a Model Recipient or wrap program client may be subject to price movements, particularly with large orders or where the securities are thinly traded, that may result in Model Recipients or wrap program clients receiving prices that are less favorable than the prices obtained by LAM for its discretionary client accounts or other accounts managed by LAM. As such, LAM's institutional or other discretionary accounts over time may obtain better execution, including more favorable prices for their transactions, than wrap accounts or Model Recipients purchasing or selling the same securities. Alternatively, the same factors may result in wrap clients or Model Recipients completing trading before or at the same time as LAM's trading on

behalf of institutional or other discretionary accounts. This may particularly be the case because LAM considers the delivery of a model to a Model Recipient, or communication of trading instructions to a wrap program client, as a completed rotation in the original trade rotation. In these cases, the wrap accounts or Model Recipients may obtain better executions. Because LAM does not control a Model Recipient's execution of transactions for such accounts, LAM cannot control the market impact of such transactions.

When LAM is acquiring the same security in non-U.S. markets for wrap accounts and institutional accounts, LAM generally will buy ordinary shares for institutional accounts and American Depositary Receipts ("ADRs") for the wrap accounts. If permitted by the wrap program sponsor, LAM will place "step-out" orders with certain brokers. The use of "step-out" orders allows LAM to address the lack of liquidity in the domestic markets by using a single broker to obtain the underlying local securities in the local market where they are traded and deposit them in the United States to create ADRs that are "stepped-out" to LAM's wrap clients. Wrap clients may pay additional fees associated with such ADR transactions. LAM also will place "step-out" orders with brokers to acquire U.S. securities for wrap clients, which may result in additional fees. In either case, if wrap account programs do not allow "step-outs" to brokers, execution prices and trading costs borne by those clients will be higher.

#### *Other Non-Discretionary Arrangements*

LAM also provides non-discretionary investment advice to certain clients through mechanisms other than model portfolios. In some cases, LAM may provide investment advice consistent with an investment strategy managed by LAM but the client retains ultimate investment discretion, authorizing each trade prior to execution by LAM. LAM may also provide some non-discretionary clients with internally generated research information and access to its buy-side research professionals. For each of these arrangements, LAM assesses how the information may be used within the client's own investment process. LAM takes steps to address any conflicts associated with such arrangements.

#### *Research and Soft Dollar Benefits*

LAM receives a wide range of research services from broker-dealers who also execute transactions for LAM client portfolios and from other third-party research providers. These research services can include broker research reports, other written research reports, models, meetings with research analysts, and other research-related meetings. Brokers also assist LAM with the acquisition of research from third-parties, such as providers of market data services, with whom LAM does not effect transactions ("third-party research services"). LAM obtains third-party research services by entering into arrangements (also called "soft dollar" arrangements or "commission sharing arrangements") under which brokers who execute or otherwise effect client transactions compensate the third-party research providers.

LAM has implemented controls designed to ensure that the research services it acquires under the foregoing arrangements are compliant with Section 28(e) of the Exchange Act. Section 28(e) provides a safe harbor that protects investment advisers from liability for a breach of fiduciary duty solely due to the fact it decided to pay more than the lowest available commission rate to a broker. Among other things, LAM's controls are designed to confirm that LAM complies with its duty to seek best execution of client transactions under the circumstances. They also are intended to help LAM comply with Section 28(e)'s requirements that the research or brokerage services obtained with client commissions provide lawful and appropriate assistance

in the decision-making process, and that the amount of the client commission is reasonable in relation to the value of the products or services provided by the broker-dealer.

Research services furnished by brokers and third-party providers complement LAM's in-house research and help LAM's portfolio management teams implement their investment management responsibilities for various client accounts and funds. LAM believes that these services benefit its firm-wide investment processes, which in turn benefit LAM's clients. However, LAM notes that when it receives research services as a result of client brokerage commissions, LAM receives a benefit since it is not paying for such services from its own resources or producing such research on its own. Additionally, LAM has an incentive to select a broker-dealer based on such receipt of research or other services rather than the ability to provide most favorable execution. LAM's controls are designed to address potential conflicts of interest related to these arrangements.

LAM's equity investment professionals participate in a semi-annual research evaluation designed to assess the quality and value of the research services that brokers and other firms provide to LAM. The results of the exercise help determine which research providers will receive payments from brokers with which LAM has commission sharing agreements. (LAM's subsidiaries in jurisdictions governed by European Union's Markets in Financial Instruments Directive ("MiFID") acquire broker research services through payments from their P&L instead of commission sharing arrangements.)

When acquiring a third-party research service with commission credits, LAM establishes what it believes is a fair value for such service and causes brokers to compensate the service provider based upon that value. In many cases, that value assigned to a research service is based upon an invoice from the third-party provider. Certain third-party research services, such as portfolio management computer services, may benefit both an investment process and other activities at LAM. In those cases, the third-party research service is paid in part by LAM (using its own funds) and in part with commission credits, based upon allocations that LAM determines in good faith and consistent with Section 28(e). As a result of MiFID, LAM and/or its advisory affiliates in the European Union will look to assign a value to certain broker-provided research services, but those efforts may not produce precise "prices" for every individual broker research service acquired through Section 28(e) commission arrangements.

Although some clients of LAM do not generate commission credits used to acquire research under Section 28(e) (for example, clients in fixed income strategies), the LAM investment personnel providing services to those clients and, by extension, those clients, benefit from the research and third-party research services acquired through commissions generated by other clients' transactions. Conversely, clients of LAM who generate commission credits used to acquire research under Section 28(e), may not necessarily benefit from all of the research and third-party research services acquired through such commission credits. LAM is not able to trace the commissions generated by a particular client's account to the acquisition of a particular research service, but LAM believes that its clients as a whole benefit when its investment personnel have access to these services. Certain clients of LAM, for regulatory or other reasons, do not allow their equity commissions to create credits for the acquisition of research or third-party research services but may ultimately benefit from research and third-party research services acquired through commission credits generated through other clients' transactions. Clients of LAM's advisory affiliates that are regulated by MiFID and certain clients of LAM that are domiciled in jurisdictions regulated by MiFID do not pay commissions that generate Section 28(e) research credits with brokers. Instead, LAM's advisory affiliates

in those jurisdictions pay for broker research out of their own resources. Clients of LAM whose transactions are not subject to MiFID's research rules will continue to pay commissions to brokers to acquire research and third-party research services under Section 28(e), and are likely to pay a higher percentage of commissions toward third-party research services than they have in past years because the cost of such services will be borne by fewer clients. However, LAM has adopted procedures designed to prevent these clients from paying more overall research-related charges to brokers than they have historically.

With respect to pension plan clients subject to ERISA, soft dollar benefits received by LAM constitute "indirect compensation" under the ERISA Section 408(b)(2) regulations. The amount of the soft dollar benefits, if any, that are obtained in connection with the plan's account cannot be estimated in advance as it is dependent on the number of transactions effected and the executing brokers used. If applicable, soft dollar amounts will be disclosed to the plan each year upon request for purposes of Form 5500 Schedule C reporting.

#### *Brokerage for Client Referrals*

LAM does not consider referrals of potential Fund investors as a factor in the selection of brokers and LAM has adopted procedures that prohibit directing brokerage to brokers in recognition of client referrals and sales of the Funds' shares. Certain prime brokerage firms utilized by certain pooled vehicles advised by LAM (or for which LAM or an affiliate serves as a general partner or manager) may provide capital introduction services as part of their overall services as prime broker. LAM does not consider provision of capital introduction services as the sole factor in choosing a prime broker for a pooled vehicle. In such cases, the prime broker often has an incentive to refer clients to the pooled vehicle over another fund because the prime broker's compensation may be based on the number of trades executed by the pooled vehicle or the amount of assets under management by the pooled vehicle.

#### *Directed Brokerage*

Generally, LAM will accept brokerage direction from clients with respect to domestic equity trades. In such cases, LAM will work with the client to develop a mutually agreed upon broker and direction target. LAM generally will not follow a client's suggested designated brokerage target in the case of transactions in which, in LAM's judgment, the designated broker will not afford best execution, unless the client has specifically directed that a specific broker be utilized and acknowledges that following the client's directions may result in higher execution costs and less competitive prices than may otherwise be available. LAM is generally not able to accept brokerage direction for non-U.S. mandates due to the reduction in participation in commission recapture programs by global brokerage firms. Additionally, brokerage direction will not generally be permitted for fixed income transactions, as direction is generally incompatible with the way in which fixed income securities are traded by LAM.

Pursuant to certain of the wrap fee arrangements between LAM and the wrap fee program sponsors, LAM has discretion to select brokers or dealers other than the wrap fee program sponsors when necessary to fulfill its duty to seek best execution of transactions for its clients' accounts. However, brokerage commissions and other charges for transactions not effected through the wrap fee program sponsors are generally charged to the client, whereas the wrap fee covers the cost of brokerage commissions and other fees on transactions effected through the wrap fee program sponsors. For this reason, it is likely that most,



if not all, transactions for such clients will be effected through the wrap fee program sponsors and it would generally be exceptional for LAM to trade with a broker or dealer other than the wrap fee program sponsor. To the extent possible, LAM will seek to obtain best execution on such trades through “step out” trades, where LAM aggregates trades with an executing broker (often not the wrap fee program sponsor) and “steps out” the appropriate portion of the trade to such sponsor for clearing and settlement at the execution price obtained through the executing broker. LAM is not in a position to negotiate commission rates with the wrap fee program sponsors on behalf of its wrap fee clients, or to monitor or evaluate the commission rates being paid by such clients or the nature and quality of the services they obtain from the wrap fee program sponsors.

It is expected that LAM will direct most, if not all, trades for clients that retain Pershing to provide such services to Pershing.

### *Aggregation and Allocation*

When orders to purchase or sell the same securities on identical terms are placed by more than one account managed by LAM or its affiliates, the transactions are normally averaged as to price (to the extent they are with the same broker/dealer) and allocated as to amount in accordance with the daily purchases or sales orders actually placed for each account. Transactions effected on behalf of LF&Co.’s pension account and other accounts in which LAM’s personnel have invested but which LAM treats as managed accounts may be aggregated with transactions of other investment advisory accounts and will receive the same average price. Such orders are combined when possible to facilitate best execution by reducing overall transaction costs. In cases where only part of an order is filled, securities are allocated to accounts in a manner which LAM deems equitable. In situations where an order takes multiple days to fill and during such time a new participating account is added, LAM prioritizes the new participating account to bring such account in line with the weight of the existing participating accounts and then the remainder of the order is allocated on a pro rata basis. Client orders will generally not be aggregated for execution where there are specific limitations, such as a brokerage direction, that would prevent such aggregation. In the event LAM purchases or sells the same security for clients whose orders are aggregated and those where orders are not aggregated due to client brokerage direction, LAM seeks to treat all clients fairly in connection with prices obtained on such transactions. However, in such cases, in LAM’s sole discretion, it may be necessary for example, due to the market for that security for one group of accounts (e.g., the client brokerage directed accounts) to have its trades executed before or after the remaining accounts. Thus, the price paid or received by one group of accounts may differ from that paid or received by the remaining accounts due to market activity. Aggregated orders that are executed through LAM will generally not result in reduced aggregate commissions, as each client will be charged LAM’s commission rate established with the respective broker or dealer. Trades are generally allocated to participating accounts pro rata or via certain other methods such as a random allocation determined by LAM’s trading system or an allocation which brings all clients to a certain percentage holding of the security. In certain limited circumstances, LAM may also select certain clients to participate in a partially filled order based upon certain criteria deemed significant by LAM, including, without limitation: (i) the need for, or availability of, cash to complete the transaction; (ii) whether the transaction would result in a meaningful position for the client’s account; (iii) whether the order specifies a priority allocation to one or more accounts; (iv) whether a client’s account is under- or over-weighted with respect to a particular security, industry or sector in comparison to other accounts in the

order; (v) the availability of an alternative investment in the same security or industry; (vi) the client is fully closing its account; and (vii) the extent to which an allocation would be too small to justify processing or custodial charges associated with the transaction.

While LAM generally will aggregate institutional equity orders in the same security that are open on the same day, there are circumstances under which orders for individual client accounts will be traded separately. For example, when market liquidity is insufficient to fill all orders, LAM reserves its right to separate and prioritize the execution of equity orders relating to individual client inflows, client redemptions, the correction of guideline breaches, individual account rebalancing, and similar circumstances. Further, when LAM is conducting equity trades to transition a client account into or out of an investment strategy or pooled vehicle, LAM reserves its right to conduct those trades separately in a manner that is fair to all relevant clients. New equity orders that are placed less than one hour before the scheduled market close (or if the market is already closed) generally will not be aggregated with or averaged as to price with prior orders in the same security that day. De minimis orders (for example, under 1,000 shares) may also be worked separately and may not be averaged as to price with prior orders in the same security that day.

Due to the nature of their investment processes, trades by LAM's alternative and fixed income strategies (including but not limited to the Rathmore Strategy, Global Convertibles Strategy, Emerging Markets Debt Strategy and Emerging Income Strategy) may be executed separately from, and not aggregated with, trades effected on behalf of LAM's other clients in the same security or securities. In these cases, LAM has established appropriate policies and procedures reasonably designed to ensure that such clients are treated fairly and equitably. However, it is possible that in such circumstances, because of the size or timing of the respective trades, such clients could receive prices that are more or less favorable than the prices received by the strategies whose trades are not aggregated with the trades for such clients. LAM also reserves its right to separately execute orders in these strategies for the reasons described in the preceding paragraph.

LAM also maintains an Alternative Investments Group which includes multiple investment teams implementing various alternative investment strategies. The security-specific research and trading conducted by investment teams within the Alternative Investments Group are subject to information barriers and certain other restrictions. LAM has adopted written procedures restricting the information that (i) the Alternative Investments Group may share with other investment personnel at LAM and (ii) other investment personnel at LAM may share with the Alternative Investments Group. Due to these information restrictions, investment teams within the Alternative Investments Group are not required to aggregate trades in the same securities with investment teams within LAM's institutional equity or fixed income platforms.

#### *Initial Public Offering Securities*

LAM may invest client assets in securities offered in an initial public offering ("IPOs" or "IPO Shares"). IPO Shares frequently are in great demand and available only in limited quantities. Moreover, IPO Shares can trade at a premium shortly after issuance. Because these factors subject IPO Shares to potential abuse, LAM seeks to ensure that IPO Shares are allocated in a fair and equitable manner. Each portfolio management team will determine whether to participate in IPOs. This decision will be based upon factors such as, without limitation: (i) the investment strategy or the investment parameters associated with the

strategy used to manage the client accounts; (ii) the merits of the investment proposition; (iii) whether the risks of investing in an IPO are appropriate for the client accounts; and (iv) client guidelines or legal restrictions.

Generally, LAM will allocate IPO Shares among client accounts pro rata based upon the aggregate asset size (excluding leverage) of the eligible client accounts that have placed the order for IPO Shares. The asset base used to calculate this allocation does not include: (i) accounts that are restricted from participating in the IPO or who are prohibited from purchasing IPO Shares according to their guidelines or strategy; or (ii) market values of restricted assets in the LAM hedge funds (i.e., share classes restricted from receiving U.S. IPO allocations). LAM may also allocate IPO Shares on a random basis as selected electronically, or other basis, provided that such basis is fair and equitable.

Because orders for IPOs are typically only partially filled, accounts participating in the original order may receive only a portion of the shares requested and may not receive any shares at all. As also noted above, IPO Shares will typically be allocated on a pro rata basis and each portfolio management team is responsible for determining whether to purchase IPO Shares for the strategy or strategies that the team manages. A portfolio management team may decide not to participate in a particular IPO based on the merits or profile of the investment opportunity. Many LAM investment strategies are relative-value oriented and long-term in nature, seeking companies with a history of profitability. When considering whether to invest in an IPO, the portfolio management team must weigh the investment proposition against the potential for gain from the existing holdings in the strategy and the other costs associated with the transactions, including transaction implementation costs (e.g., market impact, price and commissions) related to selling positions to pay for the IPO Shares. Additionally, many LAM portfolio management teams manage their investment strategies relying heavily on fundamental, bottom-up investment research. As many IPOs involve unseasoned, small-capitalization companies with limited financial data available, a portfolio management team may decide to participate in an occasional IPO where it is able to become comfortable with the fundamentals of the company. In addition, as outlined below, market capitalization or regional exposure might also limit the ability to purchase IPOs.

Many LAM strategies do not invest in IPOs on a regular basis, while certain strategies, particularly certain of LAM's alternative investment strategies, do. IPO Shares may trade at a premium over the IPO price shortly after its issuance. Consequently, those strategies that regularly invest in IPO Shares (including alternative investment strategies) may be able to quickly sell IPO Shares and may therefore significantly benefit from such investments, while those strategies that do not regularly invest in IPO Shares will not. Transactions in IPO Shares can potentially contribute significantly to the investment performance of a client's account. As a result, these potential benefits will not be available in a LAM strategy that does not invest in IPOs on a regular basis or to clients that restrict investments in IPO Shares. In addition, there may be times when there is a significant amount of IPO activity in the financial markets. Conversely, there may be other times when IPO activity is not as robust. As a result, investment performance achieved during periods of increased availability of IPO Shares in the marketplace may not be repeated during periods where there is decreased IPO activity.

IPO Shares may be sold by LAM on the same day LAM receives an allocation.

Generally, many of LAM's accounts are eligible to participate in IPOs. However, participation in such investments is limited by various factors outlined below.

Many LAM investment strategies adhere to specific investment parameters. For example, a large-capitalization strategy will typically not invest in a small-capitalization IPO and therefore, a particular IPO may not be a suitable investment for the client's investment mandate (e.g., a client invested in a U.S. Large Cap mandate would not, generally, participate in an offering of a small capitalization IPO, and a client invested in a U.S. equity mandate would not, generally, participate in an IPO for an emerging market security).

Accounts of "restricted persons" as defined under FINRA Rule 5130 are prohibited from participating in IPO Shares, except as permitted by the rule (a "5130 restricted person"). FINRA Rule 5131 imposes additional restrictions on the purchase of IPO Shares, which are designed to address the practice of "spinning."<sup>1</sup> Generally, Rule 5131 bans spinning by prohibiting a FINRA member from allocating IPO Shares to any account in which an executive officer or director of a "public company" or a "covered non-public company" (each as defined in Rule 5131), or certain other persons, has a beneficial interest, if such person's company has or expects to have an investment banking relationship with the FINRA member (each, a "5131 restricted person" and together with a "5130 restricted person, a "restricted person").

In order for a client account to be eligible to participate in IPOs, LAM must have a copy of the client's Investor Certificate indicating that the account is not a restricted person. Reallocation will be required if it is determined that a restricted person participated in an IPO allocation. There are other instances where a client may be restricted from purchasing IPOs. For example:

- Clients who require all purchases and sales of securities to be effected with a particular broker or dealer will not be eligible to participate in IPOs underwritten by other brokers.
- LAM manages client accounts in accordance with each client's particular investment restrictions or guidelines. If a client's investment guidelines prohibit investments in IPOs, such client will not be eligible to participate in IPOs.
- Clients who do not have a sufficient amount of cash to purchase IPO Shares will not be able to purchase IPO Shares.
- Based on LAM's IPO allocation procedures, if an account would not receive a round lot or meaningful position (e.g., an allocation of at least 100 shares), then that client would not receive an allocation of IPO Shares.
- LAM's Legal and Compliance department must approve (i) potential purchases of IPO Shares from broker-dealers affiliated with LAM; (ii) for accounts subject to ERISA, potential purchases of IPO Shares where any broker-dealer affiliated with LAM is a manager of the underwriting

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<sup>1</sup> Spinning occurs when a broker-dealer allocates a new issue to an executive officer or director of a company, who then returns the favor by using the broker-dealer for its company's investment banking needs.

syndicate; and (iii) for accounts subject to ERISA, potential purchases of IPO Shares where a broker-dealer or underwriter affiliated with the ERISA client is a participant in the underwriting syndicate.

- For U.S. registered mutual funds, Rule 10f-3 procedures must be followed and the appropriate documentation completed if any broker-dealer affiliated with LAM or another restricted broker (in the case of sub-advised funds) is a lead or co-manager of the underwriting syndicate. If the affiliated broker is part of the syndicate, the fund is allowed to participate; however, the allocation must be received from another member of the syndicate.

LAM's online wrap accounts and private client accounts do not participate in IPOs.

Certain strategies managed by LAM also invest in convertible securities. This includes the Rathmore Strategy and the Global Convertibles Strategy of which investments in convertible securities are a core component, and other strategies where investments in convertible securities are not a core component. At times, LAM may not be able to obtain a sufficient amount of convertible securities (particularly in an initial offering) to provide a full allocation to all accounts. If this happens, LAM will first seek to fill the allocation sought by the Rathmore Strategy and the Global Convertibles Strategy. If this allocation is filled in full, then any additional bonds will be allocated to other accounts for which an allocation has been requested. However, it is possible that these other accounts will not receive a full allocation, or possibly any, of the allocation originally sought.

#### *Cross and Agency Cross Transactions*

Cross transactions involve the purchase or sale of a security between two accounts managed by LAM. For example, in some instances a security to be sold by one client account may independently be considered appropriate for purchase by another client account. In such cases, LAM may, but is not required, to cause the security to be "crossed" or transferred directly between the relevant accounts at an independently determined market price and without incurring brokerage commissions, although customary custodian fees and transfer fees may be incurred, no part of which will be received by LAM). LAM will generally not engage in cross transactions between an ERISA plan account and any other account managed by LAM, unless an exception is satisfied. LAM will only engage in cross transactions between an investment company registered under the 1940 Act and another account managed by LAM pursuant to procedures adopted under Rule 17a-7. Generally, LAM will only engage in cross transactions if it is permitted to do so under its investment management agreement with the client, or with written permission from the client. Generally, the price for a cross trade of a fixed income security will be the mid-price of three independent bids and offers (or another fair and equitable methodology approved by LAM's Legal and Compliance department). The price for a cross trade of an equity security generally will be the day's volume weighted average price (commonly referred to as the VWAP), the end-of-day price or another approach deemed appropriate and approved by LAM's Legal and Compliance department.

Although it is LAM's policy to avoid market transactions that could be viewed as the facilitation of cross trades between separate client accounts, at times, LAM will be required to execute orders in the same security on the opposite sides of the market. With respect to equity transactions, buy and sell orders in the

same security made on the same day for different client accounts, whether due to client cash flows or portfolio model changes, are routed by the Equity Trading Desk to separate brokers for execution. However, when the Equity Trading Desk determines that a single broker can execute buy and sell orders in the same security on the same day for different client accounts in a manner that also satisfies LAM's duty to seek best execution, the Equity Trading Desk will instruct the executing broker to avoid crossing those two orders as principal (i.e., internally at the executing broker). With respect to fixed income transactions, buy and sell orders in the same security made on the same day for different client accounts, whether due to client cash flows or portfolio model changes, must be placed as separate orders on anonymous, multi-dealer electronic trading systems ("Electronic Trading Platforms"). Same day buy and sell orders in securities that are not serviced by an Electronic Trading Platform are executed following a consultation with LAM's Chief Compliance Officer or his designee.

LAM will generally not engage in agency cross transactions in which LF&Co. acts as broker for the parties on both sides of the transaction.

#### *Principal Transactions*

In general, LAM does not engage in principal transactions with client accounts or investment funds. In a "principal transaction," LAM or a LAM affiliate buys a security from, or sells a security to, the account of a client. However, LAM may, from time to time, and subject to applicable laws and internal policy, engage in a principal transaction with a client if LAM reasonably believes that the transaction will be in the best interests of the client. For example, in certain cases, LAM and its owners, affiliates and employees may have financial interests in certain accounts, including investment funds managed by LAM or an affiliate, which, at times, may exceed 25% of the total account so that the account may be deemed to be a principal account (a "Principal Account"). Whenever transactions are effected by LAM between a Principal Account and one or more non-Principal Accounts, LAM will generally seek to obtain consent from the non-Principal Accounts prior to executing such trades (or in no event later than the settlement of such trades).

#### *Transactions with LF&Co.*

LAM has adopted policies and procedures related to transactions involving LF&Co. LAM may purchase for its discretionary accounts securities as to which LF&Co. is a member of an underwriting or selling syndicate. Such purchases will generally be made in accordance with Prohibited Transaction Exemption 75-1, or otherwise under ERISA, for accounts subject to ERISA, relevant client restrictions and Rule 10f-3 under the 1940 Act, for mutual funds. LF&Co. engages in a secondary trading business with institutional customers, primarily executing contingent trades on a principal basis, though it may also execute non-contingent orders as agent or riskless principal. LF&Co. has not engaged in any secondary trading business with LAM. In the event that LF&Co. engaged in any such business with LAM, it would do so without charging any mark-up or commission.

Trades involving LF&Co. for LAM clients on an agency basis and brokerage commissions paid to LF&Co. with respect to such trades are designed to comply with applicable law, including for LAM clients that are employee benefit plans subject to ERISA upon complying with the conditions set forth in Department of Labor Prohibited Transaction Class Exemption 86-128 or otherwise in accordance with ERISA, for

registered investment companies advised by LAM upon complying with the conditions set forth in (as applicable) ERISA, Rule 17e-1 under the 1940 Act, and, in any case, in compliance with Section 11(a) of the Exchange Act. As a general matter, the commission rates charged to clients by brokers are negotiated, and, therefore, different rates may be charged depending upon the service or package of services provided to the client.

LAM may purchase for its discretionary clients securities as to which LF&Co. is engaged and compensated by a company to advise and effect exchanges of securities issued by the company. Any such purchase will be done without the client's consent to the extent consistent with applicable law. For its services, LF&Co. is compensated by the company that issued the securities to be exchanged and LF&Co. does not receive compensation from any LAM client on account of such client's participation in the exchange transaction. LF&Co.'s compensation from companies is structured in various ways. Any participation by LAM's ERISA clients in such an exchange transaction will be effected in accordance with ERISA or, if it cannot be so effected, LAM's ERISA clients will be excluded from participating in the exchange transaction, which will disadvantage such clients. Depending upon the particular exchange transaction, LF&Co. and LAM may (but are not required to) agree, in their sole discretion, for LF&Co. to not accept any compensation from the company directly attributable to such ERISA clients' participation in the exchange transaction or to otherwise disgorge or credit back such amounts to participating ERISA clients.

### **Item 13 – Review of Accounts**

All portfolios are reviewed on a regular basis. The review process is as follows:

#### *Equity*

Trades for institutional equity portfolios are reviewed on a regular basis by a portfolio manager/analyst and a team of portfolio assistants to determine trade completion, guideline compliance and consistency of portfolio asset allocation. In addition, portfolio manager/analysts review the model portfolios on a regular basis for consistency with investment strategies, overweight or underweight positions and available investment funds. Because LAM manages portfolios on a team basis, one or more portfolio manager/analysts will review each of the portfolios for which that team has responsibility.

#### *Fixed Income*

Fixed income portfolio manager/analysts review all institutional fixed income portfolios on a daily basis for trade accuracy, asset allocation, available cash and investment strategies. More than one sector manager may review accounts. LAM manages accounts on a team basis. Fixed income accounts are reviewed weekly by the relevant Fixed Income portfolio management team for consistency with investment strategy.

#### *Private Client Group*

Private Client Group portfolios are reviewed daily by portfolio assistants for trade accuracy and available cash. The respective portfolio manager also reviews all such portfolios typically on a daily basis.

The Head of the Private Client Group reviews clients' accounts periodically.

Wrap accounts are reviewed on a daily or weekly basis by SEI for portfolio consistency with investment strategy, trade accuracy, and available cash. Issues raised by SEI are brought to the attention of the relevant Director of Operations.

Additionally, accounts will be reviewed in connection with client requests, routine compliance checks or reporting reviews and otherwise as needed.

### *Client Reporting*

Generally, at the end of each calendar quarter a full client reporting package is sent to clients of LAM other than clients in wrap fee programs or other programs where the client has requested that a report not be sent because a report is being sent by the client's consultant, wrap program sponsor or broker. Holdings reports typically display security description, quantity owned, market price, total market value and percent of total market value.

In addition to holdings reports, the standard report contains a one-page portfolio summary, transactions, corporate actions, and other reports applicable to the product in which the client has invested. The portfolio summary page includes performance return relative to market indices and asset allocation. Additionally, if an institutional client account includes an allocation to a portfolio of LFI, client reporting packages may include a listing of the respective portfolio's holdings, provided on a delayed basis. Such reports are typically provided no more frequently than quarterly and are provided no earlier than 5 business days after the end of a quarter, the time that LFI Portfolio holdings are made available on LAM's website. Additionally, upon request, LAM may provide to certain clients or investors, on a delayed basis, portfolio holdings information with respect to private funds managed by LAM or its affiliates that is not provided with the same frequency to other investors in such private fund.

Clients invested in the Funds or private funds managed by LAM will also receive audited financial statements and certain other regular reports and documents sent to investors. Additionally, for certain Funds or portfolios managed by the Multi-Asset portfolio management team, LAM provides quarterly performance of the investment strategies comprising these Funds and makes this information available to Fund shareholders upon request.

## **Item 14 – Client Referrals and Other Compensation**

Except with respect to soft dollar benefits, as described in Item 12 above, LAM does not receive fees or other incentives from parties other than clients.

LAM is a party to several written agreements pursuant to which it pays a fee to consulting firms, individuals and others ("Placement Agents") for referring clients to LAM. The fee paid under these agreements is based, directly or indirectly, on the amount of funds received for management from clients that the Placement Agents refer. The agreements may also provide for the reimbursement of certain expenses incurred by the Placement Agents and specifically require the Placement Agents to comply with Rule



206(4)-3 of the Advisers Act and other regulations thereunder. Additionally, from time to time, personnel of LF&Co. may refer clients to LAM.

LAM pays for, and utilizes, various services and attends various forums and events that are supplied or sponsored by consultants and third-party intermediaries. The receipt of payment for these services could be perceived to provide a benefit to such consultant or third party and, therefore, result in a conflict of interest. However, LAM believes that its receipt of such services offers genuine educational or other benefits to it and its clients.

In the conduct of its regular business operations, LAM and/or its employees, may make political contributions, entertain clients or make charitable contributions. LAM has adopted policies and procedures reasonably designed to address any potential conflicts of interest associated with such activities.

Additionally, please refer to the discussion of “sweep arrangements” in Item 4 above.

### **Item 15 – Custody**

In certain cases, pursuant to Rule 206(4)-2 under the Advisers Act, LAM may be deemed to have custody of client assets. Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains client’s investment assets. LAM urges its clients to carefully review such statements and compare such official custodial records to the account statements that LAM provides to its clients. LAM’s statements may vary from custodial statements.

LAM undergoes an annual surprise examination by an independent public accountant in connection with accounts for which it or an affiliate is deemed to have custody, as required by Rule 206(4)-2.

The Funds and the private funds managed by LAM issue financial statements on an annual basis that are audited by such fund’s independent registered public accounting firm and delivered in accordance with the requirements of Rule 206(4)-(2).

### **Item 16 – Investment Discretion**

LAM furnishes continuous investment advice to advisory clients pursuant to investment management agreements under which each client delegates investment management discretion to LAM. LAM manages assets according to a variety of equity, fixed income and alternative investment strategies. In exercising its judgment in managing client accounts, LAM takes into account the individual objectives, restrictions and guidelines of each client, as communicated by the client, and other factors deemed relevant by the client and disclosed to LAM, such as the nature and amount of other assets and income from other sources. Generally, to the extent that a client wishes to impose limitations on the management of its account or requests that LAM manage an account consistent with the client’s investment policy statement or guidelines, LAM will review any such documentation provided by a client prior to the inception of an account. To the extent that any such guidelines or limitations are not acceptable by LAM, LAM will work with the client to make appropriate revisions to such documentation in a manner that is mutually acceptable to both parties. In addition, LAM furnishes investment supervisory services to registered open- and closed-

end investment companies and private funds, including hedge funds and commingled funds and trusts, based on the investment objectives and restrictions as set forth in each fund's prospectus or similar offering document.

Client portfolios with similar investment objectives within the same investment strategy are generally managed similarly with a goal that each such client account would have substantially the same percentage of the portfolio invested in the same securities (subject to differences arising from a variety of factors, including, but not limited to, client restrictions and liquidity of underlying securities, when the portfolio was opened and cash flows into and out of the portfolio). Investment opportunities are generally allocated to those accounts, which LAM determines, in its sole discretion, to have an investment mandate and profile consistent with the type of security (i.e., large cap equity, mid cap equity, small cap equity, core fixed, intermediate fixed) and which LAM determines, in its sole discretion, should be included in the portfolio. All such allocation decisions are subject to client guidelines and restrictions. Limited investment opportunities will be allocated to client accounts in a manner in which LAM, in its sole discretion, determines is equitable to its clients. Factors considered by LAM include, but are not limited to, the availability of alternative investments, the extent to which the allocation would represent a meaningful position for the account, the liquidity of the security and the availability of cash to settle the transaction. Client requests for particular securities may also be considered.

### **Item 17 – Voting Client Securities**

Generally, LAM is granted proxy voting authority under its client agreements and LAM generally accepts the responsibility to vote proxies on behalf of any client. However, it is the responsibility of the custodian appointed by the client to ensure that LAM receives notice of the relevant proxies sufficiently in advance of the meeting's cut-off date to vote, in order to allow LAM to vote. LAM is not responsible for voting proxies for which it does not receive timely notice from a custodian appointed by a client, or in the case of wrap programs, the program sponsor.

#### *LAM's Proxy Voting Policy and Procedures*

LAM's proxy voting process is administered by members of its Operations department (the "Proxy Administration Team"). Oversight of the process is provided by LAM's Legal and Compliance department and by a Proxy Committee comprised of senior investment professionals, members of the Legal and Compliance department and other LAM personnel. The Proxy Committee meets regularly, generally on a quarterly basis, to review the proxy voting policy and other matters relating to the firm's proxy voting functions. Meetings may be convened more frequently (for example, to discuss a specific proxy voting proposal) as needed.

LAM currently subscribes to advisory and other proxy voting services provided by ISS and by Glass Lewis. These proxy advisory services provide independent analysis and recommendations regarding various companies' proxy proposals. While this research serves to help improve LAM's understanding of the issues surrounding a company's proxy proposals, LAM's investment professionals are ultimately responsible for providing the vote recommendation for a given non-routine proposal. Voting for each agenda of each meeting is instructed specifically by LAM in accordance with the policy. ISS also provides administrative

services related to proxy voting such as a web-based platform for proxy voting, ballot processing, recordkeeping and reporting.

LAM votes on behalf of its clients according to proxy voting guidelines approved by the Proxy Committee (the “Approved Guidelines”). The Approved Guidelines determine whether a specific agenda item should be voted “For,” “Against,” or is to be considered on a case-by case basis. The Proxy Administration Team ensures that investment professionals responsible for proxy voting are aware of the Approved Guidelines for each proposal. Voting on a proposal in a manner that is inconsistent with an Approved Guideline requires the approval of the Proxy Committee. With respect to proposals to be voted on a case-by-case basis, the Proxy Administration Team will consult with relevant investment professionals prior to determining how to vote on a proposal.

Meetings that pose a potential material conflict of interest for Lazard are voted in accordance with Approved Guidelines. Where the Approved Guideline is to vote on a case-by-case basis, LAM will vote in accordance with the majority recommendation of the independent proxy services.

“Conflict Meetings” are voted in accordance with the Approved Guidelines. In situations where the Approved Guideline is to vote case-by-case and a material conflict of interest appears to exist, LAM’s policy is to vote the proxy item according to the majority recommendation of the independent proxy services to which LAM subscribes.

It is LAM’s intention to vote all proposals at every meeting. However, there are instances when voting is not practical or is not, in LAM’s view, in the best interests of its clients. LAM does not generally vote proxies for securities loaned by clients through a custodian’s stock lending program.

Unless it determines that doing so is in the best interests of clients, LAM generally will not reveal to third parties how it intends to vote until such votes have been cast. Of course, LAM may disclose to a client, upon request, how it intends to vote with respect to securities held in that client’s portfolio. Under some circumstances, such as when ballots are not delivered on a timely basis, LAM will be unable to vote proxies. In other cases – such as where the cost of voting is excessive, where LAM lacks sufficient information, or where share blocking procedures are in place – LAM may determine not to vote.

Separately managed account clients who delegate proxy voting authority to LAM will receive a report detailing the proxies voted by LAM on their behalf during a particular reporting period. LAM also files Form N-PX with the SEC with respect to the proxies voted on behalf of the Funds.

## **Item 18 – Financial Information**

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

## **DISCLOSURE FOR ERISA CLIENTS**

### DISCLOSURE STATEMENT IN CONNECTION WITH ERISA SECTION 408(B)(2)

LAM provides investment advisory services to certain clients subject to the provisions of ERISA as a registered investment adviser and ERISA fiduciary. Each such client and/or plan's (each, a "Plan") relevant investment management agreement between the Plan and LAM (each, an "Agreement") sets forth the provisions and terms relating to such arrangement, including terms and obligations relating to ERISA. In connection with providing investment advisory services, LAM receives the fee set forth in the Agreement.

Soft Dollars. Please refer to Item 12 of this Brochure for a description of LAM's soft dollar arrangements.

Gifts and Entertainment. LAM does not have any arrangements in place under which it would receive any gifts or entertainment with respect to a Plan, nor does LAM expect to receive any gifts or entertainment in connection with providing services to any Plan that would cause LAM to report any such amounts under Schedule C of Form 5500 or to exceed the de minimis exception to compensation disclosable under ERISA Section 408(b)(2). Under its policies, LAM personnel may not receive gifts in excess of \$100 per year from any client or potential client, and all gifts must be disclosed to LAM's Legal and Compliance department.

No LAM affiliate or subcontractor provides services that are charged to a Plan account or are charged on a per-transaction basis. If a Plan terminates the Agreement, LAM receives its management fee up to the termination date.

LAM does not provide recordkeeping services to any Plan. In general, in cases where a Plan invests through a separately managed account, LAM provides fiduciary services directly to the Plan, not through a fund or product. To the extent that LAM provides investment services to a Fund or other pooled vehicle in which a Plan invests, the fees and expenses of such Fund or pooled vehicle are set forth in the prospectus or offering memorandum and its financial statements and other materials sent to investors.