SOFT DOLLAR ARRANGEMENTS (SDAs)

The Company participates in Soft Dollar Arrangements (SDAs), providing those arrangements comply with its SDAs policy. The Company developed its SDAs policy using the CFA Institute's Soft Dollar Standards, which is in the Annexure of the Trading/Dealing Policy.

The CFA Institute's standards are based on the following fundamental principles:

- An Investment Manager is a fiduciary and, as such, must disclose all relevant aspects concerning any benefit the manager receives through a client's brokerage.
- Proprietary research and third-party research are to be treated the same in evaluating SDA, because the research that an investment manager receives from each is paid for with client brokerage.
- Goods/services should be purchased with client brokerage only if the primary use of the goods/services directly assists the Investment Manager in its investment decision-making process and not in the management of the investment firm; and
- When in doubt, the research should be paid for with the Investment Manager assets, not client brokerage.

What are SDAs?

SDAs involve using a portion of clients' brokerage to pay for goods/services that "*directly assist an Investment Manager in its investment decision-making process, and not in the management of the investment firm*"[1]. These goods/services can either be proprietary (meaning they are provided by the executing broker) or third-party (meaning they are provided by someone other than the executing broker).

In many cases, the determination may not lend itself to absolute precision, but the Company must use its best judgment to justify the use of client brokerage to pay for goods/services. The CFA Institute suggest the use of a three- tiered analysis to aid in determining whether the goods/services can be paid for using client brokerage.

Definitions

For purposes of this policy, the following terms apply:

- **Agency Trade** refers to a transaction involving the payment of a commission.
- **Best Execution** refers to executing client transactions so that the client's *total cost* is the most favorable under the circumstances at that time.
- **Broker** refers to any person or entity that provides securities execution services.
- **Brokerage** refers to the amount on any trade retained by a broker to be used directly or indirectly as payment for execution services and, when applicable, goods/services supplied to the Company or its client in connection with SDAs or for benefits provided to the client in Client-Directed Brokerage Arrangements. For these purposes, trades may be conducted on an agency *or* principal basis.

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[1] CFA Institute, Soft Dollar Standards – Guidance for Ethical Practices Involving Client Brokerage

- **Brokerage Arrangement** refers to an arrangement whereby a broker provides services or products that are in addition to execution. Brokerage Arrangements include Company-Directed and Client-Directed Brokerage Arrangements.
- **Brokerage and Research Services** refers to goods/services provided by a broker to the Company through a Brokerage Arrangement.
- **Client** refers to the entity, including a natural person, investment fund, or separate account, designated to receive the benefits, including income, from the brokerage generated through securities transactions. A client may be represented by a trustee or other fiduciary, who may or may not have investment discretion.
- **Client-Directed Brokerage Arrangement** refers to an arrangement whereby a client directs trades for its account to be executed through a specific broker in exchange for which the client receives a benefit in addition to execution services. Client-Directed Brokerage Arrangements include rebates, commission banking, and commission recapture programs through which the broker provides the client with cash or services or pays certain obligations of the client. A client may also direct the use of limited lists of brokers—not for the purpose of reducing brokerage costs but to effect various other goals (e.g., increased diversity by using minority-owned brokers) or geographical concentration.
- **Commission** refers to the amount paid to the broker in addition to the price of the security and applicable regulatory fees on an agency trade.
- **Investment Decision-Making Process** refers to the quantitative and qualitative processes and related tools used by the Company in rendering investment advice to its clients, including financial analysis, trading and risk analysis, securities selection, broker selection, asset allocation, and suitability analysis.
- **Investment Discretion** refers to the sole or shared authority to determine what securities or other assets to purchase or sell on behalf of a client.
- **Investment Manager** refers to any entity, or a natural person that serves in the capacity of asset manager to a client. The Company may have sole, shared, or no investment discretion over an account.
- **Investment Manager-Directed Brokerage Arrangement** refers to Proprietary and Third-Party Research Arrangements.
- **Mixed-Use** refers to goods/services, provided to the Company by a broker through a Brokerage Arrangement, that have the capacity to be used for both the investment decision-making process *and* management of the investment firm.
- **Principal Trade** refers to a transaction involving a "discount" or a "spread."
- **Proprietary Research Arrangement** refers to an arrangement whereby the Company directs a broker to effect Securities Transactions for client accounts in exchange for which the Company receives goods/services from, and/or access to, the "in-house" staffs of the brokerage firms.
- **Third-Party Research Arrangement** refers to an arrangement whereby the Company directs a broker to effect securities transactions for client accounts in exchange for which the Company receives Research provided by the broker, which has been generated by an entity *other than* the executing broker.

Approach to SDA

Principles underlying the Company's approach to brokerage are:

1. Brokerage is property of the client
2. The Company should
    a. seek to obtain Best Execution
    b. minimize transaction costs
    c. use client brokerage to benefit clients.
3. When using SDAs, the Company must always act for the benefit of its clients and place clients' interests before its own.
4. The Company must disclose to is clients that it may engage in SDAs prior to engaging in such Arrangements involving that client's account.
5. In selecting brokers, the Company must consider the capabilities of the broker to provide Best Execution.
6. In determining whether to use client brokerage to pay for the goods/services, the Company must use the following criteria
    a. The primary use of the goods/services provided by a broker - the primary use of must directly assist the Company in its investment decision-making process and not in the management of the investment firm.
    b. Whether the Company can document the basis for the determinations – the Company must document the basis for the determination.
    c. The inability to decide and document that the goods/services meet the above criteria requires that the Company *not* pay for it with client brokerage.
7. In determining the portion of Mixed-Use Research to be paid with client brokerage, the Company must:
    a. Be able to make a reasonable, justifiable, and documentable allocation of the cost of the goods/services according to its expected usage.
    b. Pay with client brokerage only the portion of the goods/services that is used by the Company in the investment decision-making process.
    c. Reevaluate the Mixed-Use Research allocation at least annually.
8. The practice of Client-Directed Brokerage does not violate any of the Company's duties, provided that:
    a. The Company must not use brokerage from another client's account to pay for a goods/services purchased under the Client-Directed Brokerage Arrangement.
9. The Company must clearly disclose, with specificity and in "plain language," its policies with respect to all SDAs, including:
    a. *To clients and potential clients*. whether the Company may use the goods/services paid for from SDAs to benefit clients other than those whose trades generated the brokerage. This disclosure must address whether the trades generating the brokerage involved transactions conducted on a principal basis.
    b. *To clients*. The Company must disclose (i) the types of goods/services received through SDAs; (ii) the extent of use; and (iii) whether any affiliated broker is involved.
    c. That additional information concerning the SDAs is available on request. Such additional information should include the following on at least an annual basis:
        i. *On a firmwide basis*. A description of the products and services that were

received from brokers pursuant to a SDA, regardless of whether the product or service derives from Proprietary or Third- Party Research Arrangements, de- tailed by broker.

ii. For a specific client account: the total amount of commissions generated for that client through a SDA; the total amount of brokerage directed by that client through Directed Brokerage Arrangements.

iii. The aggregate percentage of the brokerage derived from Client-Directed Brokerage Arrangements and the amount of that Client's Directed Brokerage, as a percentage of that aggregate - The Company is not obligated to report amounts of Client-Directed Brokerage that constitute less than 10% of the Company's aggregate amount of Client-Directed Brokerage.

10. The Company must maintain, when applicable, all records that:

a. are required by applicable law;
b. are necessary to supply clients on a timely basis with the information required by SDAs
c. document arrangements, oral or written, obligating the Company to generate a specific amount of brokerage;
d. document arrangements with clients pertaining to Soft Dollar or Client-Directed Brokerage Arrangements;
e. document any agreements with brokers pertaining to SDAs;
f. document transactions with brokers involving SDAs including: (i) a list of providers to whom the Company uses SDA to buy their goods/services; (ii) description of the service or product obtained from the provider;
g. document the bases of allocation in determining to use client brokerage to pay for any portion of a Mixed-Use service or product;
h. indicate how the goods/services obtained through SDA directly assist the Company in the investment decision-making process;
i. copies of all client disclosures and authorizations

The Three-Tiered Approach

The Company applies the CFA Institute's Three-Tiered Approach to determine whether the goods/services qualify to be paid for under SDAs. This determination pivots on whether the goods/services aid the Company's investment decision-making process instead of the general operation of the firm.

When conducting the analysis, the Company must consider the ethical framework of the SDAs. The Company must be able to explain to its client how the goods/services assist in the investment decision- making process.

Level I – define the product or service

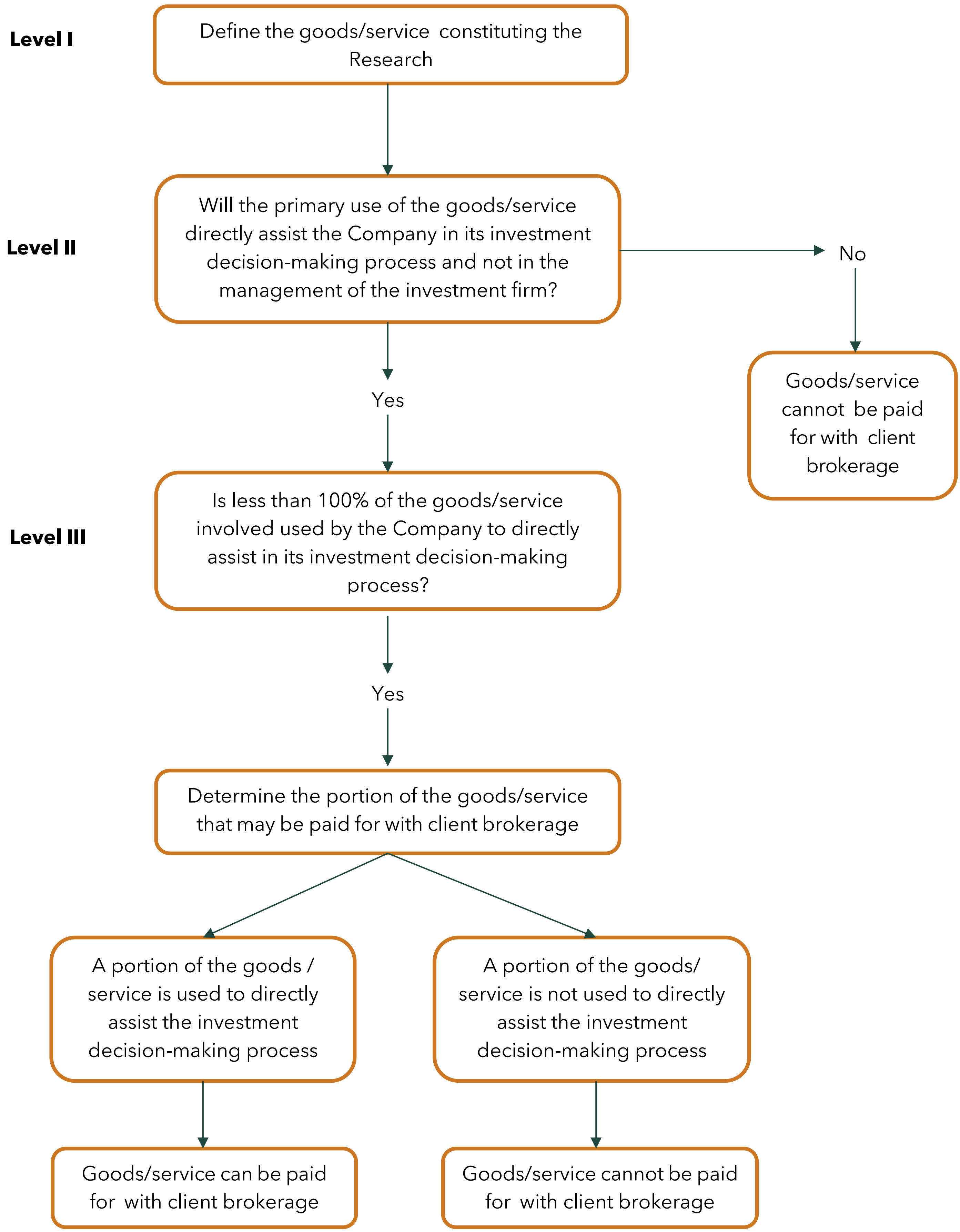
Define the goods/services to be purchased with client brokerage. In most instances, the goods/services are clearly defined. However, many goods/services consist of different components that are related only to the ability of the goods/services to assist the Company in its investment decision-making process (e.g., a computer workstation that runs research software). For such multicomponent goods/services, the Company must narrowly construe the component parts that are necessary for the goods/services to directly assist in the investment decision-making process.

Level II – determine usage

Determine that the primary use of the goods/services, as defined in the Level I analysis, will directly assist the Company in its investment decision-making process.

Level III – mixed use analysis

Determine what portion of the goods/services directly assist in the investment decision-making process. If less than 100% of the goods/services is used for assistance in the investment decision-making process, the goods/services must be considered as Mixed-Use. With Mixed-Use goods/services, the Company can use client brokerage to pay for only that portion of the goods/services used in the investment decision-making process and not in the management of the Company.



Level I
Define the goods/service constituting the Research
Level II
Will the primary use of the goods/service directly assist the Company in its investment decision-making process and not in the management of the investment firm?
No
Goods/service cannot be paid for with client brokerage
Yes
Level III
Is less than 100% of the goods/service involved used by the Company to directly assist in its investment decision-making process?
Yes
Determine the portion of the goods/service that may be paid for with client brokerage
A portion of the goods / service is used to directly assist the investment decision-making process
A portion of the goods/ service is not used to directly assist the investment decision-making process
Goods/service can be paid for with client brokerage
Goods/service cannot be paid for with client brokerage

Examples of Goods/Services that qualify for SDA

The table below is a non-exhaustive list of goods/services that satisfy the Three-Tiered Approach to determining whether they can be paid for using client brokerage, under the Company's SDA policy. These goods/services can be defined, the primary use of the goods/service directly assist the Company in its investment decision-making process and not in the management of the investment firm, and 100% of the goods/services are used in the investment decision-making process.

Definition	**Example**	**Primary use of product**	**% used in IDMP**	**Rationale**
Investment research software systems	• Bloomberg • Factset • Refinitiv	Investment related data, news, and portfolio management	100%	Software used exclusive by the investment research team, which aggregates data used exclusively for investment research and analytics
Third party investment research	• MSCI ESG manager • Moffett Nathanson • 2X Ideas • New Street Research	Investment research in specific areas	100%	Investment research services that directly assist the Company with investment decisions, and are only available via subscription
Investment conferences	• Morgan Stanley TMT Conference • Bernstein Strategic Decision Conference • Consumer Analyst Group of New York Conference	Access to investee companies and industry experts	100%	Investment conferences provides an efficient method to access the management team from several investee companies and use those meetings in the investment research process

(1) IDMP = investment decision-making process

Annexure - CFA Institute Soft Dollar Standards

Introduction

CFA Institute Soft Dollar Standards provide guidance to investment professionals worldwide through the articulation of high ethical standards for CFA Institute Members dealing with "soft dollar" issues. CFA Institute Soft Dollar Standards are consistent with and complement the existing CFA Institute Standards of Professional Conduct that all CFA Institute Members and Candidates in the CFA Program are required to follow.

The purposes of the Standards are to define "soft dollars," identify what is "allowable" research, establish standards for soft dollar use, create model disclosure guidelines, and provide guidance for client-directed brokerage arrangements.

The Soft Dollar Standards are *voluntary* standards for Members. If a CFA Institute Member claims compliance with the Standards, then certain of these Standards are mandatory (i.e., they *must* be followed to claim compliance) and others are recommended (i.e., they *should* be followed). CFA Institute strongly encourages Members to adopt the required and recommended Standards. If the Soft Dollar Standards are adopted, compliance will not supplant the responsibility to comply with applicable law.[2] CFA Institute Members should comply at all times with the relevant laws of the countries in which they do business. In situations in which these Standards impose a higher degree of responsibility or disclosure than, but do not conflict with, local law, the Member is held to the mandatory provisions of these Standards.

Background

In 1975, the U.S. Congress created a "safe harbor" under Section 28(e) of the Securities and Exchange Act of 1934 to protect investment managers from claims that they had breached their fiduciary duties by using their client commissions to pay a higher commission to acquire investment research than they might have paid for "execution" services. According to Securities and Exchange Commission (SEC) Staff, the protection of Section 28(e) is available only for securities transactions conducted on an agency basis.[3] Since that time, the soft dollar area has undergone considerable expansion, both in terms of actual usage and the types of products and services for which safe harbor protection is claimed. The complexity of these practices, including technologically sophisticated research tools and the existence of "mixed-use" products, has resulted in a fair amount of legitimate confusion surrounding the appropriate use of soft dollars.

CFA Institute seeks to provide ethical standards for CFA Institute Members and those in the industry that engage in soft dollar practices and also emphasizes the paramount duty of the investment manager, as a fiduciary, to place the

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[2] For example, in the United States, the Securities Exchange Act of 1934, Investment Company Act of 1940, and Investment Advisers Act of 1940 all address the use of client commissions in soft dollar arrangements. The U.S. Department of Labor also provides regulations regarding directed brokerage practices concerning ERISA-covered pension plans.

[3] According to the SEC staff, securities transactions con- ducted on a principal basis cannot claim Section 28(e) "safe harbor" protection. Both principal transactions and those agency transactions unable to qualify for "safe harbor" protection are not necessarily illegal but are evaluated based on the existence of full disclosure, informed client consent, and other fundamental fiduciary principles, including placing the client's interests first.

interests of clients before those of the investment manager. In particular, the Soft Dollar Standards focus on six key areas:

- Definitions – to enable all parties dealing with soft dollar practices to have a common understanding of all of the different aspects of soft dollars.
- Research – to give clear guidance to investment managers on what products and services are appropriate for a manager to purchase with client brokerage.
- Mixed-Use Products – to clarify the manager's duty to clearly justify the use of client brokerage to pay a portion of a mixed-use product.
- Disclosure – to obligate investment managers to clearly disclose their soft dollar practices and give detailed information to each client when requested.
- Record keeping – to ensure that the client can (1) receive assurances that what the investment manager is doing with the client's brokerage can be supported in an "audit," and (2) receive important information on request.
- Client-Directed Brokerage – to clarify the manager's role and fiduciary responsibilities with respect to clients.

Overview

CFA Institute Soft Dollar Standards focus on the Member's obligations to its clients. Although the Standards primarily focus on the obligations of the Member as investment manager, they may be applicable to other parties involved in soft dollar practices, including brokers, plan sponsors, and trustees. Each of these parties, however, has its own set of obligations that should be considered prior to participating in any soft dollar arrangement.

CFA Institute Soft Dollar Standards are ethical principles intended to ensure

- full and fair disclosure of an investment manager's use of a client's brokerage[4];
- consistent presentation of information so that the client, broker, and other applicable parties can clearly understand an investment manager's brokerage practices;
- uniform disclosure and record keeping to enable an investment manager's client to have a clear understanding of how the investment manager is using the client's brokerage; and
- high standards of ethical practices within the investment industry.

No finite set of standards can cover all potential situations or anticipated future developments concerning the types of investment research available to investment managers. However, meeting the objective of full and fair disclosure and ensuring that the "client comes first" obligates an investment manager to disclose fully and clearly to its client the investment manager's practice when addressing any potential conflict concerning the payment methods for investment research.

CFA Institute Soft Dollar Standards are based on the following set of fundamental principles that an investment manager should consider when attempting to comply:

- An investment manager is a fiduciary and, as such, must disclose all relevant aspects concerning any benefit the manager receives through a client's brokerage;
- Proprietary research and third-party

[4] The term "Brokerage" is described in the definitions section of the Standards.

research are to be treated the same in evaluating soft dollar arrangements, because the research that an investment manager receives from each is paid for with client brokerage;

- Research should be purchased with client brokerage only if the primary use of the research, whether a product or a service, directly assists the investment manager in its investment decision-making process and not in the management of the investment firm; and
- When in doubt, the research should be paid for with investment manager assets, not client brokerage.

Comparison with Current Practices

CFA Institute Soft Dollar Standards seek to clarify certain areas of brokerage practices that have been a source of confusion for CFA Institute Members. By emphasizing the basic fiduciary responsibilities of CFA Institute Members with respect to their client's assets, the Soft Dollar Standards are intended to illuminate the line between permissible and impermissible uses of client brokerage. In this respect, the Standards do not create "new law" but address well- established principles applicable to the investment manager–client relationship.

In other respects, a reiteration of the current "soft dollar" practices would fail to adequately address the issues raised by the complexity of current brokerage practices faced by CFA Institute Members. The Soft Dollar Standards, therefore, depart from certain well- established practices in the soft dollar area and address practices beyond those that currently claim Section 28(e) safe harbor protection.

The Soft Dollar Standards are not to be read as in any way changing the scope of activities that the SEC determines to fall within the safe harbor. Instead they are separate, ethical standards applicable to a variety of practices implicated in Soft Dollar Arrangements. Thus, these Standards will impose higher standards of conduct in certain areas on CFA Institute Members that voluntarily elect to comply with the Standards, as follows:

Definition of Soft Dollar Arrangements

Proprietary, in addition to third-party, research.

Traditionally, soft dollar arrangements are understood to address those products or services provided to the investment manager by someone other than the executing broker, products or services that are commonly known as "third-party" research. Such an approach is deficient in light of the range of products and services provided by both third-party research providers and "in- house" research departments of brokerage firms. Thus, any meaningful Standards must also recognize the importance of research provided by the executing broker, commonly known as "proprietary" or "in- house" research.

For purposes of the Soft Dollar Standards, "soft dollar arrangements" include proprietary, as well as third-party, research arrangements and seek to treat both categories the same. Although these Standards do *not* suggest an "unbundling" of proprietary research, they do require the investment manager to provide certain basic information regarding the types of research obtained with client brokerage through proprietary research arrangements. Moreover, these Standards should not be read to require research obtained either through third-party or proprietary arrangements to be attributed on an account-by-account basis or otherwise to require a "tracing" of products or services.

Principal, in addition to agency, trades.

Traditionally, the term "soft dollars" refers to commissions generated by trades conducted on an agency basis.[5] However, such an approach fails to recognize that research may be obtained through the use of "spreads" or "discounts" generated by trades conducted on a principal basis. For the purposes of the Soft Dollar Standards, soft dollar arrangements include transactions conducted on an agency *or* principal basis.

Definition of Research

Traditionally, "allowable" research in the soft dollar context is evaluated by whether it provides lawful and appropriate assistance to an investment manager in the investment decision-making process. This approach, however, leaves CFA Institute Members with inadequate guidance. Consequently, the Soft Dollar Standards embrace a definition of research that requires the primary use of the soft dollar product or service to directly assist the investment manager in its investment decision-making process and not in the management of the investment firm.

In many cases, this determination may not lend itself to absolute precision, but an investment manager must use its best judgment as a fiduciary to justify the use of client brokerage to pay for a product or service. The Standards suggest the use of a three- tiered analysis to aid CFA Institute Members in determining whether a product or service is research. Such an approach is intended to provide needed guidance for CFA Institute Members in determining when it is appropriate to use client brokerage to purchase a product or service.

Enhanced Disclosure

Disclosure of a CFA Institute Member's brokerage practices will provide the Member's client with a means of evaluating the Member's soft dollar practices and how client brokerage is used. Under the Soft Dollar Standards, the CFA Institute Member must disclose to its clients certain information, the majority of which the Member is already required under current law to disclose, or to maintain, in order to meet federal disclosure requirements. Moreover, although the Soft Dollar Standards require the CFA Institute Member to disclose the *availability* of additional information, this information does not actually have to be provided, unless it is specifically requested by the client.

Compliance Statement

Finally, the Soft Dollar Standards contemplate the use of a voluntary statement of compliance. Only a claim of compliance with these Standards requires an investment manager to comply with all of the mandatory provisions of these Standards and only as to the client brokerage that its compliance statement relates. Thus, an investment manager that claims compliance with the Soft Dollar Standards must provide the client with a statement that any brokerage arrangement with respect to *that* client's account comports with the mandatory provisions of these Standards. Such a compliance statement will help to ensure the continued integrity of the Standards and provide clients with additional assurance with respect to how their brokerage is used by their investment manager.

[5] As noted above, the "safe harbor" provided by Section 28(e) of the Securities Exchange Act of 1934, as interpreted by the SEC staff, applies only to those transactions conducted on an agency, not principal, basis.

Definitions

For purposes of the CFA Institute Soft Dollar Standards, the following terms apply:

Agency Trade refers to a transaction involving the payment of a commission.

Best Execution refers to executing Client transactions so that the Client's *total cost* is the most favorable under the particular circumstances at that time.

Broker refers to any person or entity that provides securities execution services.

Brokerage refers to the amount on any trade retained by a Broker to be used directly or indirectly as payment for execution services and, when applicable, Research supplied to the Investment Manager or its Client in connection with Soft Dollar Arrangements or for benefits provided to the Client in Client-Directed Brokerage Arrangements. For these purposes, trades may be conducted on an agency *or* principal basis.

Brokerage Arrangement refers to an arrangement whereby a Broker provides services or products that are in addition to execution. Brokerage Arrangements include Investment Manager-Directed and Client-Directed Brokerage Arrangements.

Brokerage and Research Services refers to services and/or products provided by a Broker to an Investment Manager through a Brokerage Arrangement.

Client refers to the entity, including a natural person, investment fund, or separate account, designated to receive the benefits, including income, from the Brokerage generated through Securities Transactions. A Client may be represented by a trustee or other Fiduciary, who may or may not have Investment Discretion.

Client-Directed Brokerage Arrangement refers to an arrangement whereby a Client directs that trades for its account be executed through a specific Broker in exchange for which the Client receives a benefit in addition to execution services. Client-Directed Brokerage Arrangements include rebates, commission banking, and commission recapture programs through which the Broker provides the Client with cash or services or pays certain obligations of the Client. A Client may also direct the use of limited lists of brokers—not for the purpose of reducing Brokerage costs but to effect various other goals (e.g., increased diversity by using minority-owned brokers) or geographical concentration.

Commission refers to the amount paid to the Broker in addition to the price of the security and applicable regulatory fees on an Agency Trade.

Fiduciary refers to any entity, or a natural person, including a CFA Institute Member, that has discretionary authority or responsibility for the management of a Client's assets or other relationships of special trust.

Investment Decision-Making Process refers to the quantitative and qualitative processes and related tools used by the Investment Manager in rendering investment advice to its Clients, including financial analysis, trading and risk analysis, securities selection, broker selection, asset allocation, and suitability analysis.

Investment Discretion refers to the sole or shared authority (whether or not exercised) to determine what securities or other assets to purchase or sell on behalf of a Client.

Investment Manager refers to any entity, or a natural person, including a CFA Institute Member, that serves in the capacity of asset manager to a Client. The Investment Manager may have sole, shared, or no Investment Discretion over an account.

Investment Manager-Directed Brokerage Arrangement refers to Proprietary and Third-Party Research Arrangements.

Member refers to any individual who is required to comply with the CFA Institute Code of Ethics and Standards of Professional Conduct in accordance with the CFA Institute Bylaws.

Mixed-Use refers to services and/or products, provided to an Investment Manager by a Broker through a Brokerage Arrangement, that have the capacity to be used for both the Investment Decision-Making Process *and* management of the investment firm.

Principal Trade refers to a transaction involving a "discount" or a "spread."

Proprietary Research Arrangement refers to an arrangement whereby the Investment Manager directs a Broker to effect Securities Transactions for Client accounts in exchange for which the Investment Manager receives Research from, and/or access to, the "in-house" staffs of the brokerage firms.

Provided by a Broker refers to (1) in Proprietary Research Arrangements, Research developed by the Broker and (2) in Third-Party Research Arrangements, Research for which the obligation to pay is between the Broker and Third-Party Research Provider, not between the Investment Manager and Third-Party Research Provider.

Research refers to services and/or products provided by a Broker, the primary use of which must directly assist the Investment Manager in its Investment Decision-Making Process and not in the management of the investment firm.

Section 28(e) Safe Harbor refers to the "safe harbor" set forth in Section 28(e) of the U.S. Securities Exchange Act of 1934, which provides that an Investment Manager that has Investment Discretion over a Client account is not in breach of its fiduciary duty when paying more than the lowest Commission rate available if it determines in good faith that the rate paid is commensurate with the value of Brokerage and Research Services provided by the Broker.

Securities Transactions refers to any transactions involving a Broker, whether conducted on an agency basis or principal basis.

Soft Dollar Arrangement refers to an arrangement whereby the Investment Manager directs transactions to a Broker, in exchange for which the Broker provides Brokerage and Research Services to the Investment Manager. Soft Dollar Arrangements include Proprietary and Third-Party Research Arrangements but do *not* include Client-Directed Brokerage Arrangements. Soft Dollar Arrangements are sometimes referred to herein as Investment Manager-Directed Brokerage Arrangements, where applicable.

Third-Party Research Arrangement refers to an arrangement whereby the Investment Manager directs a Broker to effect Securities Transactions for Client accounts in exchange for which the Investment Manager receives Research provided by the Broker, which has been generated by an entity *other than* the executing Broker.

Appendix - CFA Institute Soft Dollar Standards

General

Principles

A. These Soft Dollar Standards apply to all CFA Institute Members' Proprietary and Third-Party Research Arrangements, with or without Commissions, and recognize two fundamental principles:

1. Brokerage is the property of the Client.
2. The Investment Manager has an ongoing duty to ensure the quality of transactions effected on behalf of its Client, including
   a. seeking to obtain Best Execution,
   b. minimizing transaction costs, and
   c. using Client Brokerage to benefit Clients.

Required

B. An Investment Manager in Soft Dollar Arrangements must always act for the benefit of its Clients and place Clients' interests before its own.

C. An Investment Manager may not allocate a Client's Brokerage based on the amount of Client referrals the Investment Manager receives from a Broker.

Clarification: With respect to mutual funds, the Investment Manager's Client is the fund. However, in this context, the fund's board, not the fund, establishes the policies with respect to the use of certain brokers.

Relationships with Clients

Required

A. The Investment Manager must disclose to the Client that it may engage in Soft Dollar Arrangements prior to engaging in such Arrangements involving that Client's account.

Recommended

B. The Investment Manager should assure that, over time, all Clients receive the benefits of Research purchased with Client Brokerage.

1. *Agency Trades*. While it is permissible for the Investment Manager to use a Client's Brokerage derived from Agency Trades to obtain Research that may not directly benefit that particular Client at that particular time, the Investment Manager should endeavor to ensure that, over a reasonable period of time, the Client receives the benefit of Research purchased with other Clients' Brokerage.
2. *Principal Trades*. The Investment Manager should determine if the particular Principal Trade is subject to certain fiduciary requirements (e.g., ERISA, Investment Company Act of 1940) which require that Client Brokerage derived from Principal Trades must benefit the Client account generating the Brokerage. If such requirements do not apply, it is permissible to use Client Brokerage derived from Principal Trades to benefit Client accounts other than the account generating the Brokerage if the Investment Manager discloses this practice and obtains prior consent from the Client.

Clarification: Certain fiduciary statutes require that brokerage derived from a Principal Trade must directly benefit the Client account generating the Trade. In such situations, even consent by the Client will not waive this legal requirement. Compliance with the Soft Dollar Standards should not be read to, in any way, absolve one's responsibilities to comply fully with the applicable law regarding Principal Trades.

Selection of Brokers

Principle

A. Selecting Brokers to execute Clients' Securities Transactions is a key component of the Investment Manager's ability to add value to its Client portfolios. The failure to obtain Best Execution may result in impaired performance for the Client.

Required

B. In selecting Brokers, the Investment Manager must consider the capabilities of the Broker to provide Best Execution.

Recommended

C. In evaluating the Broker's capability to provide Best Execution, the Investment Manager should consider the Broker's financial responsibility, the Broker's responsiveness to the Investment Manager, the Commission rate or spread involved, and the range of services offered by the Broker.

Clarification: These criteria are relevant components to the Broker's ability to obtain the most favorable total cost under the particular circumstances at that time.

Evaluation of Research

Required

A. In determining whether to use Client Brokerage to pay for Research, the Investment Manager must use the following criteria:

   1. Whether the Research under consideration meets the definition of Research contained in these Standards.
   2. Whether the Research benefits the Investment Manager's Client(s).
   3. Whether the Investment Manager is able to document the basis for the determinations.
   4. Whether under certain fiduciary regulations (e.g., ERISA, the Investment Company Act of 1940) for Principal Trades, the Research directly benefits the Client account generating the trade. If the Principal Trades are not subject to such regulations, the Research may benefit Client accounts other than those generating the trade if the Investment Manager has made disclosure and obtained prior Client consent.

B. The inability to decide and document that the Research meets the above criteria requires that the Investment Manager *not* pay for such Research with Client Brokerage.

C. In determining the portion of Mixed-Use Research to be paid with Client Brokerage, the Investment Manager must:

   1. Be able to make a reasonable, justifiable, and documentable allocation of the cost of the Research according to its expected usage.
   2. Pay with Client Brokerage only the portion of the Research that is actually used by the Investment Manager in the Investment Decision-Making Process.
   3. Reevaluate the Mixed-Use Research allocation at least annually.

Client-Directed Brokerage

Principle

A. Because Brokerage is an asset of the Client, not the Investment Manager, the practice of Client-Directed Brokerage does not violate any investment manager duty perse.

B. In a Client-Directed Brokerage Arrangement:

Required

   1. The Investment Manager must not use Brokerage from another Client account

to pay for a product or service purchased under the Client-Directed Brokerage Arrangement.

Recommended

2. The Investment Manager should disclose to the Client:

    a. the Investment Manager's duty to continue to seek to obtain Best Execution, and

    b. that arrangements that require the Investment Manager to commit a certain percentage of Brokerage may affect the Investment Manager's ability to (i) seek to obtain Best Execution and (ii) obtain adequate Research.

3. The Investment Manager should attempt to structure the Client-Directed Brokerage Arrangement in a manner that comports with Appendix A to the Soft Dollar Standards (Exhibit A to this Topical Study).

Disclosure

In addition to disclosure required elsewhere in the Soft Dollar Standards:

Required

A. An Investment Manager must clearly disclose, with specificity and in "plain language," its policies with respect to all Soft Dollar Arrangements, including:

    1. *To Clients and potential Clients*. An Investment Manager must disclose whether it may use the Research to benefit Clients other than those whose trades generated the Brokerage. This disclosure must address whether the trades generating the Brokerage involved transactions conducted on a principal basis.

    2. *To Clients*. An Investment Manager must disclose (i) the types of Research received through Proprietary or Third-Party Research Arrangements; (ii) the extent of use; and (iii) whether any affiliated Broker is involved.

Clarification: Description of the types and use of Research should be appropriate to the type of Research Arrangement involved. The disclosures required or recommended in the Soft Dollar Standards do not contemplate an "unbundling" of Proprietary Research Arrangements. Instead, the description of Research should, in the judgment of the Investment Manager, provide Clients with the ability to understand the type of Research involved *in the degree of detail* appropriate to the source of the Research.

B. To claim compliance with these Standards for any Client account, an Investment Manager must provide the Client with a statement that any Soft Dollar Arrangements with respect to the particular Client account comport with the CFA Institute Soft Dollar Standards. This statement must be provided at least annually.

Clarification: This statement is required only if the Investment Manager is claiming compliance with the Soft Dollar Standards. If applicable, the statement is to be provided to the individual Client to which the claim is being made.

C. An Investment Manager must prominently disclose in writing to its Client that addition al information in accordance with the CFA Institute Soft Dollar Standards concerning the Investment Manager's Soft Dollar Arrangements is available on request. Such additional information should include the following on at least an annual basis:

Clarification: Although certain additional information is suggested, the Soft Dollar Standards are intended to preserve the ability of the Client and Investment Manager to determine what other information may be relevant in light of particular Client needs or types of accounts.

1. *On a firmwide basis*. A description of the products and services that were received from Brokers pursuant to a Soft Dollar Arrangement, regardless of whether the product or service derives from Proprietary or Third-Party Research Arrangements, detailed by Broker.
2. For a specific Client account:
    a. the total amount of Commissions generated for that Client through a Soft Dollar Arrangement, detailed by Broker; and
    b. the total amount of Brokerage directed by that Client through Directed Brokerage Arrangements.

Clarification: The disclosure required in this section is intended to provide the requesting Client with certain basic items of information: a description of what the entire firm obtained through Soft Dollar Arrangements, the identity of brokers providing those products and services, the total amount of Directed Brokerage attributable to the Client, and the total amount of Commissions generated for the requesting Client's account.

3. The aggregate percentage of the Investment Manager's Brokerage derived from Client-Directed Brokerage Arrangements and the amount of that Client's Directed Brokerage, as a percentage of that aggregate.
    a. The Investment Manager is not obligated to report amounts of Client-Directed Brokerage that constitute less than 10 percent of the Manager's aggregate amount of Client-Directed Brokerage.

Recommended

When requested by a Client:

D. The Investment Manager should provide a description of the product or service obtained through Brokerage generated from the Client's account.

E. The Investment Manager should provide the aggregate dollar amount of Brokerage paid from all accounts over which the Manager has Investment Discretion.

Record Keeping

Required

The Investment Manager must maintain, when applicable, all records that

A. are required by applicable law;

B. are necessary to supply Clients on a timely basis with the information required by Soft Dollar Standard VI;

C. document arrangements, oral or written, obligating the Investment Manager to generate a specific amount of Brokerage;

D. document arrangements with Clients pertaining to Soft Dollar or Client-Directed Brokerage Arrangements;

E. document any agreements with Brokers pertaining to Soft Dollar Arrangements;

F. document transactions with Brokers involving Soft Dollar Arrangements, including (1) a list of Proprietary or Third-Party Research providers and (2) a description of the service or product obtained from the provider;

G. document the bases of allocation in determining to use Client Brokerage to pay for any portion of a Mixed-Use service or product;

H. indicate how the services and products obtained through Soft Dollar Arrangements directly assist the Investment Manager in the Investment Decision-Making Process;

I. show compliance with the CFA Institute Soft

Dollar Standards, including the identity of the Investment Manager personnel responsible for determining such compliance.

J. copies of all Client disclosures and authorizations.

Appendix A

Recommended Practices for Client-Directed Brokerage Arrangements

In Client-Directed Brokerage Arrangements:

A. When directed by a Fiduciary, the Investment Manager should receive written assurance from the Fiduciary that the Client-Directed Brokerage Arrangement will solely benefit the Client's account.

B. The Investment Manager should attempt to structure Client-Directed Brokerage Arrangements so that

   1. they do not require the commitment of a certain portion of Brokerage to a single Broker, and
   2. Commissions are negotiated and seeking to obtain Best Execution is still relevant.

C. The Investment Manager should request from its Client in any Client-Directed Brokerage Arrangement written instructions that

   1. restate the Investment Manager's continuing responsibility for seeking to obtain Best Execution,
   2. list the eligible Brokers,
   3. specify the approximate target percentage or dollar amount of transactions to be directed, and
   4. state procedures for monitoring the Arrangements.

D. The Investment Manager should regularly communicate with the Client for the purpose of jointly evaluating the Client-Directed Brokerage Arrangement, including

   1. the potential for achieving Best Execution,
   2. the list of Brokers and their trading skills,
   3. the target percentage of transactions to be directed to the selected Brokers, and
   4. the Investment Manager's trading style and liquidity needs.

Appendix B

Permissible Research Guidance

Central to whether a product or service constitutes "Research" that can be paid for with Client Brokerage is whether the product or service provides lawful and appropriate assistance to the Investment Manager in carrying out its investment decision-making responsibilities. This determination pivots on whether the product or service aids the Investment Decision-Making Process instead of the general operation of the firm.

CFA Institute Soft Dollar Standards add guidance by requiring that the primary use of the Research must directly assist the Investment Manager in its Investment Decision-Making Process and not in the management of the investment firm.

Formulating what is allowable Research is not subject to hard and fast rules. Rather, the context in which something is used and the particulars of an Investment Manager's business form the framework for this determination. In evaluating a practice, the substance of *actual* usage will prevail over the *form* of some possible usage.

Three-Level Analysis

CFA Institute Soft Dollar Standards assist the Investment Manager in making this determination by setting forth a three-level analysis to assist the Investment Manager in determining whether a product or service is Research. In the vast majority of cases, if the criteria of all three levels are satisfied, the Investment Manager can then feel comfortable in using Client Brokerage to pay for the Research. When conducting the analysis, the Investment Manager must consider the ethical framework of the Soft Dollar Standards. In conjunction with the Soft Dollar Standards' Client disclosure requirements, an Investment Manager must be able to explain to its Client how the Research—and when applicable, its component parts — assists in the Investment Decision-Making Process. Stated another way, the Investment Manager should only obtain Research with Client Brokerage if the Manager would feel comfortable disclosing and explaining the decision in a face-to- face meeting with the Client.

Level I—Define the Product or Service.

The first step is for the Investment Manager to define the product or service to be purchased with Client Brokerage. In most instances, the product or service is clearly defined (e.g., an industry report). However, many products and services consist of different components that are related only to the ability of the product or service to assist the Investment Manager in its Investment Decision-Making Process (e.g., a computer workstation that runs Research software). For such multicomponent products or services, the Investment Manager, consistent with the Soft Dollar Standards' ethical framework, must narrowly construe the component parts that are necessary for the products or services to directly assist the Investment Manager in the Investment Decision-Making Process.

For example, the computer workstation could be considered a closely related component of the product or service that constitutes the "Research." The electricity needed to run the computer, however, is not closely related and, if paid with Client Brokerage, would violate the ethical principles of the Soft Dollar Standards.

Level II—Determine Usage.

The second step is for the Investment Manager to determine that the primary use of the product or service, as defined by the Investment Manager in the Level I analysis, will directly assist the Investment Manager in its Investment Decision-Making Process.

For example, an Investment Manager subscribes to the Bloomberg Service and uses this service only to enable all persons visiting the Investment Manager's offices to look up the price of securities and analyze market trends. Under the Level I analysis, the Investment Manager defines the service as the market data received from Bloomberg, plus the Bloomberg supplied terminal and the dedicated line necessary to receive the Bloomberg service in the Investment Manager's offices. However, under the Level II analysis, the Investment Manager does not use the Bloomberg service to directly assist it in its Investment Decision-Making Process. To the contrary, the Investment Manager subscribes to the Bloomberg Service as a benefit to the firm. The Bloomberg Service, therefore, cannot be paid for with Client Brokerage.

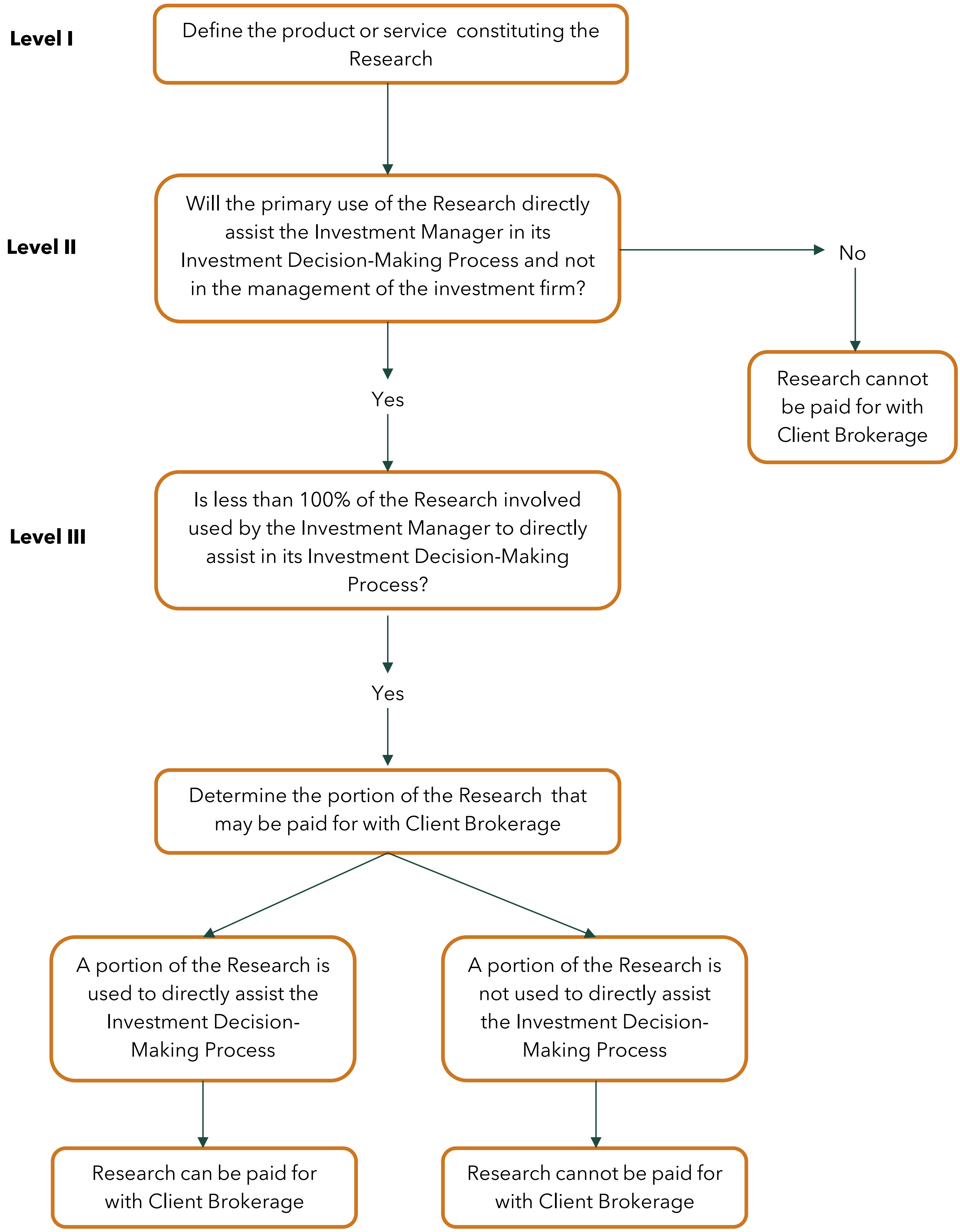
Level III–Mixed-Use Analysis.

The third step occurs only after the Investment Manager determines that the product or service is Research by completing the Level I and Level II analysis above. The Investment Manager must then determine what portion of the Research is used by the Investment Manager to directly assist it in the Investment Decision-Making Process. If less than 100 percent of the Research is used for assistance in its Investment Decision-Making Process, the Investment Manager must consider the Research as Mixed-Use Research. With Mixed-Use Research, the Investment Manager can use Client Brokerage to pay for only that portion of the Research used by the Investment Manager in the Investment Decision-Making Process and not in the management of the investment firm.

For example, if the Bloomberg service discussed in the Level II analysis was actually used 50 percent of the time to determine market and industry trends as part of the Investment Manager's Investment Decision-Making Process, the Investment Manager could pay for 50 percent of the Bloomberg service with Client Brokerage.

Conclusion

The Investment Manager can establish that the product or service is Research that can be purchased with Client Brokerage only after the Investment Manager has taken two steps. First, the Investment Manager must have defined the product or service (Level I analysis). Second, the Investment Manager must have determined that the primary use of the product or service will directly assist the Investment Manager in the Investment Decision-Making Process rather than in the management of the investment firm (Level II analysis). The final step is for the Investment Manager to determine what portion of the Research will be used by the Investment Manager in the Investment Decision-Making Process and pay only for that portion with Client Brokerage (Level III analysis).


Level I
Define the product or service constituting the Research
Level II
Will the primary use of the Research directly assist the Investment Manager in its Investment Decision-Making Process and not in the management of the investment firm?
No
Research cannot be paid for with Client Brokerage
Yes
Level III
Is less than 100% of the Research involved used by the Investment Manager to directly assist in its Investment Decision-Making Process?
Yes
Determine the portion of the Research that may be paid for with Client Brokerage
A portion of the Research is used to directly assist the Investment Decision-Making Process
A portion of the Research is not used to directly assist the Investment Decision-Making Process
Research can be paid for with Client Brokerage
Research cannot be paid for with Client Brokerage

Sample Reports

The following sample reports are intended to clarify the disclosure obligations contemplated under Standard VI, which imposes on an Investment Manager the duty to provide certain information on Client request. Where relevant, reference is provided to the applicable Standard.

Sample Report A

Client Name: Date of Report:
Investment Firm:
Time Period Covered (12 months):

1. Total Dollar Amount of Commissions Generated from Client Account, Detailed by Broker [C.2.a.]

Broker X:	$230,000
Broker Y:	$650,000
Broker Z:	$120,000
Total Amount:	$1,000,000

2. Total Dollar Amount of Brokerage Directed by Client [C.2.b.] $267,000

Sample Report B

Client Name: Date of Report:
Investment Firm:
Time Period Covered (12 months):
Description of Research Purchased through Soft Dollar Arrangements on a Firmwide Basis, Detailed by Broker [C.1]
Broker A
Access to health care analysts Access to biotech analysts
Broker B
Bloomberg services Reuters services
Oil industry reports and analyses Broker C
Market analysis of fixed-income instruments