

# DISCLOSURE OF THE ROLE OF THE BOARD IN RISK OVERSIGHT

Samples of Fund SAI Disclosure

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# INTRODUCTION

In December 2009, the SEC adopted various amendments to the registration statement for mutual funds. As a result of these revisions, funds must—for the first time—disclose “the extent of the board’s role in the risk oversight of the registrant [i.e., the mutual fund], such as how the board administers its oversight function, and the effect that this has on the board’s leadership structure.”\*

The Institute examined and compiled samples<sup>†</sup> of the disclosure various funds have added to their statements of additional information (SAI) in response to this new requirement. The examination covered a range of funds—from small to very large. While many different approaches were used, there appears to be no relationship between the size of the fund and the disclosure approach used. In addition, most fund disclosure emphasizes that (1) the board’s role in risk management is one of oversight and not day-to-day responsibility and (2) a board cannot foresee, know, or guard against all risks, nor are they guarantors against risks.

This compilation highlights five examples of the various approaches funds have taken in response to these new disclosure requirements:

- » A succinct approach to disclosure
- » Disclosure focused on the role of management and service providers
- » Disclosure focused on oversight through the reports received by the board
- » A hybrid approach to disclosure
- » An extended approach to disclosure

This disclosure typically appears under a variety of headings in the funds’ SAIs. These include: Management of the Company and Funds; Board Leadership Structure; Responsibilities of Board with Respect to Fund Management; Risk Oversight; Information on Trustees and Officers; Trustees/Officers; and Board Oversight of Risk Management.

Additional samples of the types of disclosures set forth in this compilation can be found in the appendices.

By compiling these samples, we are not suggesting that any one approach is preferable over another. Nor are we suggesting funds take a “boilerplate” approach to their disclosure. Instead, each fund should tailor its disclosure to its practices. Indeed, it is critical that whatever form of disclosure a fund chooses, such disclosure accurately represents the oversight approach taken by the fund’s board.

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\* See the amendments to s. 239.407(h) in SEC Release 33-9089 (Dec. 16, 2009), which is available at <http://www.sec.gov/rules/final/2009/33-9089.pdf>.

† With one exception, the samples are excerpted from fund SAIs without revision. The one exception is deleting any mention of the name of a fund or its adviser.

# THE SUCCINCT APPROACH TO DISCLOSURE

*One approach is to provide succinct disclosure regarding the board's oversight of risk.*

## **RISK OVERSIGHT**

The Board considers risk management issues as part of its general oversight responsibilities throughout the year at regular meetings of the Investments, Audit, Compliance and Valuation, Distribution, and Proxy Oversight Committees. These Committees in turn report to the full Board and recommend actions and approvals for the full board to take.

*[Note: This disclosure is immediately followed by descriptions of each committee, though the descriptions do not include additional information regarding their risk oversight functions.]*

See [Appendix A](#) for more samples of the succinct approach to disclosure.

## DISCLOSURE FOCUSED ON THE ROLE OF MANAGEMENT AND SERVICE PROVIDERS

*Another approach is to emphasize the role played by fund management and the fund's service providers in managing risks. This appeared to be the second most popular approach among the funds we reviewed. (The most popular was the hybrid approach discussed under section IV.)*

### **BOARD STRUCTURE AND OVERSIGHT FUNCTION: RISK OVERSIGHT**

The Fund is subject to a number of risks, including investment, compliance, and operational risks. Day-to-day risk management with respect to the Fund resides with the Adviser or other service providers (depending on the nature of the risk), subject to supervision by the Adviser. The Board has charged the Adviser and its affiliates with (i) identifying events or circumstances, the occurrence of which could have demonstrable and material adverse effects on the Fund; (ii) to the extent appropriate, reasonable or practicable, implementing processes and controls reasonably designed to lessen the possibility that such events or circumstances occur or to mitigate the effects of such events or circumstances if they do occur; and (iii) creating and maintaining a system designed to evaluate continuously, and to revise as appropriate, the processes and controls described in (i) and (ii) above.

Risk oversight forms part of the Board's general oversight of the Fund's investment program and operations and is addressed as part of various regular Board and committee activities. The Fund's investment management and business affairs are carried out by or through the Adviser and other service providers. Each of these persons has an independent interest in risk management but the policies and the methods by which one or more risk management functions are carried out may differ from the Fund's and each other's in the setting of priorities, the resources available, or the effectiveness of relevant controls. Oversight of risk management is provided by the Board and the Audit Committee. The Directors regularly receive reports from, among others, management (including the Chief Risk Officer of the Adviser and representatives of various internal committees of the Adviser), the Fund's Senior Officer (who is also the Fund's chief compliance officer), its independent registered public accounting firm, counsel, and internal auditors for the Adviser, as appropriate, regarding the risks faced by the Fund and the Adviser's risk management programs.

Not all risks that may affect the Fund can be identified nor can controls be developed to eliminate or mitigate their occurrence or effects. It may not be practical or cost effective to eliminate or mitigate certain risks, the processes and controls employed to address certain risks may be limited in their effectiveness, and some risks are simply beyond the reasonable control of the fund or the Adviser, its affiliates, or other service providers. Moreover, it is necessary to bear certain risks (such as investment-related risks) to achieve the Fund's goals. As a result of the foregoing and other factors, the Fund's ability to manage risk is subject to substantial limitations.

See [Appendix B](#) for more samples of disclosure focused on the role of management and service providers.

## DISCLOSURE FOCUSED ON OVERSIGHT THROUGH THE REPORTS RECEIVED BY THE BOARD

*A third approach is to focus on the reports the board receives from the fund's adviser or other service providers in order to stay informed regarding the fund's risks.*

### **BOARD OVERSIGHT OF RISK MANAGEMENT**

The Board of Trustees' role in the risk oversight of the Trust consists of monitoring risks identified during regular and special reports to the Committees of the Board, as well as regular and special reports to the full board. In addition to monitoring such risks, the Committees and the Board oversee efforts by management and service providers to manage risks to which the funds of the Trust may be exposed. For example, the Investment Oversight Committee meets with portfolio managers and receives regular reports regarding investment risks and credit risk of the fund's portfolio. The Audit and Compliance Committee meets with the Trust's Chief Compliance Officer and Chief Financial Officer and receives regular reports regarding operational risks and risks related to the valuation and liquidity of portfolio securities. The Marketing, Distribution and Shareholder Services Committee receives regular reports regarding risks related to distribution of the Trust's shares. Oversight of compliance risks also is within the purview of each of the Committees with respect to their designated areas of responsibility. From its review of these reports and discussions with management, each Committee learns in detail about the material risks of the funds of the Trust, enabling the independent Committee chairs and other independent members of the Committees to discuss these risks with the full Board, thereby facilitating a dialogue about how management and service providers mitigate those risks.

See [Appendix C](#) for more samples of disclosure focused on oversight through the reports received by the board.

# THE HYBRID APPROACH TO DISCLOSURE

*The vast majority of disclosure reviewed took a hybrid approach, combining a discussion of the role of management and service providers and the reports they receive from them, as well as information on the role played by the board's various committees in overseeing risk.*

## **BOARD OF DIRECTORS**

The Board oversees risk as part of its general oversight of the Funds and risk is addressed as part of various Board and Committee activities. The Funds are subject to a number of risks, including investment, compliance, financial, operational, and valuation risks. The Funds' officers and service providers, which are responsible for the day-to-day operations of the Funds, implement risk management in their activities. The Board recognizes that it is not possible to identify all of the risks that may affect the funds, and that it is not possible to develop processes and controls to eliminate all risks and their possible effects. The Audit Committee plays a lead role in receiving reports from management regarding risk assessment and management. In particular, the investment manager has established an internal committee focused on risk assessment and risk management related to the operations of the Funds and the investment manager, and the chairperson of that committee reports to the Audit Committee on a semi-annual basis (or more frequently if appropriate). Other committees also review matters relating to risk. The Compliance Committee assists the Board in overseeing the activities of the Funds' Chief Compliance Officer (CCO), and the CCO provides an annual report to the Compliance Committee and the Board regarding material compliance matters. The Compliance Committee assists the Board in overseeing investment matters. The Investment Committee receives reports from the investment manager relating to investment performance, including information regarding investment risk. The Audit Committee assists the Board in reviewing financial matters, including matters relating to financial reporting risks and valuation risks. The Board may, at any time and in its discretion, change the manner in which it conducts its risk oversight role.

See [Appendix D](#) for more samples of the hybrid approach to disclosure.

# THE EXTENDED APPROACH TO DISCLOSURE

*This approach to disclosure of the board's oversight of risk is at the other end of the spectrum from the succinct approach. Funds using this approach tended to provide extended information about their board's practices.*

## **RISK OVERSIGHT**

As a registered investment company, the Fund is subject to a variety of risks, including, among others, investment risks, financial risks, compliance risks, and operational risks. The Fund's investment adviser and administrator has primary responsibility for the Fund's risk management on a day-to-day basis as part of its overall responsibilities. The Fund's subadviser is primarily responsible for managing investment risk as part of its day-to-day investment management responsibilities, as well as its own operational risks. The Fund's investment adviser and Chief Compliance Officer also assist the Board in overseeing the significant investment policies of the Fund and monitor the various compliance policies and procedures approved by the Board as part of its oversight responsibilities.

In discharging its oversight responsibilities, the Board considers risk management issues through the year by reviewing regular reports prepared by the Fund's investment adviser and Chief Compliance Officer, as well as special written reports or presentations provided on a variety of risk issues, as needed. For example, the investment adviser reports to the Board quarterly on the investment performance of the Fund, the financial performance of the Fund, overall market and economic conditions, and legal and regulatory developments that may impact the Fund. The Fund's Chief Compliance Officer, who reports directly to the Board's Independent Trustees, provides presentations to the Board at its quarterly meetings and an annual report to the Board concerning (i) compliance matters relating to the Fund, the Fund's investment adviser and subadviser, and the Fund's other key service providers; (ii) regulatory developments; (iii) business continuity programs; and (iv) various risks identified as part of the Fund's compliance program assessments. The Fund's Chief Compliance Officer also meets at least quarterly in executive session with the Independent Trustees, and communicates significant compliance-related issues and regulatory developments to the Audit Committee between Board meetings.

In addressing issues regarding the Fund's risk management between meetings, appropriate representatives of the investment adviser communicate with the Chairman of the Trust, the Chairman of the Audit Committee or the Fund's Chief Compliance Officer. As appropriate, the Trustees confer among themselves, or with the Fund's Chief Compliance Officer, the investment adviser, other service providers, and independent legal counsel, to identify and review risk management issues that may be placed on the full Board's agenda.

The Board also relies on its committees to administer the Board's oversight function. The Audit Committee assists the Board in reviewing with the investment adviser and the Fund's independent auditors, at various times through the year, matters relating to the annual audits, financial accounting and reporting matters, and the internal control environment at the service providers that provide financial accounting and reporting for the Fund. The Audit Committee also meets annually with representatives of the investment adviser's Corporate Audit Department to review the results of internal audits of relevance to the Fund. The Valuation Committee reviews and makes recommendations concerning the fair valuation of portfolio securities and the Fund's pricing procedures in general. These and the Board's other committees present reports to the Board that may prompt further discussion of issues concerning the oversight of the Fund's risk management. The Board may also discuss particular risks that are not addressed in the committee process.

See [Appendix E](#) for more samples of the extended approach to disclosure.

# APPENDIX A: ADDITIONAL SAMPLES OF THE SUCCINCT APPROACH TO DISCLOSURE

## SAMPLE 1

The Board has determined that its committee structure also allows the Board to focus more effectively on the oversight of risk as part of its broader oversight of the fund's affairs. While risk management is the primary responsibility of a fund's investment adviser, the Board regularly receives reports regarding investment risks and compliance risks. The Board's committee structure allows separate committees to focus on different aspects of these risks and their potential impact on some or all of the funds and to discuss with the fund's investment adviser and administrator how it monitors and controls such risks.

## SAMPLE 2

The Board also oversees fund risks, primarily through the functions (described below) performed by the Investment Review Committee, the Audit Committee and the Compliance Committee.

**Investment Review Committee**—Reviews and oversees the management of the funds' assets. Considers investment management policies and strategies; investment performance; risk management techniques; and securities trading practices and reports areas of concern to the Board.

**Audit Committee**—...The committee oversees the funds' risks by, among other things, meeting with the funds' internal auditors, establishing procedures for the confidential, anonymous submission by employees of concerns about accounting or audit matters, and overseeing the funds' Disclosure Controls and Procedures.

## SAMPLE 3

The Trustees' role in risk oversight begins before the inception of a Fund, at which time the Fund's Adviser and, if applicable, Sub-Adviser present the Board with information concerning the investment objectives, strategies and risks of the Fund, as well as proposed investment limitations for the Fund. Additionally, the Fund's Adviser and Sub-Adviser provide the Board with an overview of, among other things, their investment philosophies, brokerage practices and compliance infrastructures. Thereafter, the Board continues its oversight function as various personnel, including the Trust's Chief Compliance Officer, as well as personnel of the Adviser and other service providers, such as the Fund's independent accountants, make periodic reports to the Audit Committee or to the Board with respect to various aspects of risk management. The Board and the Audit Committee oversee efforts by management and service providers to manage risks to which the Fund may be exposed.

## **SAMPLE 4**

Investing in general and the operation of a mutual fund involve a variety of risks, such as investment risk, compliance risk, and operational risk, among others. The Board oversees risk as part of its oversight of the Fund. Risk oversight is addressed as part of various regular Board and committee activities. The Board, directly or through its committees, reviews reports from among others, the Manager, sub-advisers, the Fund's Chief Compliance Officer, the Fund's independent registered public accounting firm, counsel, and internal auditors of the Manager or its affiliates, as appropriate, regarding risks faced by the Fund and the risk management programs of the Manager and certain service providers. The actual day-to-day risk management with respect to the Fund resides with the Manager and other service providers to the Fund. Although the risk management policies of the Manager and the service providers are designed to be effective, those policies and their implementation vary among service providers and over time, and there is no guarantee that they will be effective. Not all risks that may affect the Fund can be identified or processes and controls developed to eliminate or mitigate their occurrence or effects, and some risks are simply beyond any control of the Fund or the Manager, its affiliates or other service providers.

## APPENDIX B: ADDITIONAL SAMPLES OF DISCLOSURE FOCUSED ON THE ROLE OF MANAGEMENT AND SERVICE PROVIDERS

### SAMPLE 1

The Board's role in management of the Company is oversight. As is the case with virtually all investment companies (as distinguished from operating companies), service providers to the Company, primarily the Manager and its affiliates, have responsibility for the day-to-day management of the Funds, which includes responsibility for risk management (including management of investment performance and investment risk, valuation risk, issuer and counterparty credit risk, compliance risk and operational risk). As part of its oversight, the Board, acting at its scheduled meetings, or the Chairman, acting between Board meetings, regularly interacts with and receives reports from senior personnel of service providers, including the Manager's Chief Investment Officer (or a senior representative of his office), the Company's and the Manager's Chief Compliance Officer and portfolio management personnel. The Board's audit committee (which consists of all Board members) meets during its scheduled meetings, and between meetings the audit committee chair maintains contact, with the Company's independent registered public accounting firm and the company's Chief Financial Officer. The Board also receives periodic presentations from senior personnel of the Manager or its affiliates regarding risk management generally, as well as periodic presentations regarding specific operational, compliance or investment areas, such as business continuity, anti-money laundering, personal trading, valuation, credit, investment research and securities lending. The Board has adopted policies and procedures designed to address certain risks to the Funds. In addition, the Manager and other service providers to the Funds have adopted a variety of policies, procedures and controls designed to address particular risks to the Funds. Different processes, procedures and controls are employed with respect to different types of risks. However, it is not possible to eliminate all of the risks applicable to the Company. The Board also receives reports from counsel to the Company or counsel to the Manager and the Board's own independent legal counsel regarding regulatory compliance and governance matters. The Board's oversight role does not make the Board a guarantor of the Company's investments or activities.

### SAMPLE 2

The Board has engaged the Manager to manage the Fund on a day-to-day basis. The Board is responsible for overseeing the Manager, other service providers, the operations of the Fund and associated risk in accordance with the provisions of the Investment Company Act, state law, other applicable laws, the Trust's charter, and the Fund's investment objectives and strategies. The Board reviews, on an ongoing basis, the Fund's performance, operations, and investment strategies and techniques. The Board also conducts reviews of the Manager and its role in running the operations of the Fund.

Day-to-day risk management with respect to the Fund is the responsibility of the Manager or of subadvisers or other service providers (depending on the nature of the risk), subject to the supervision of the Manager. The Fund is subject to a number of risks, including investment, compliance, operational and valuation risks, among others. While there are a number of risk management functions performed by the Manager and the subadvisers or other service providers, as applicable, it is not possible to eliminate all of the risks applicable to the Fund. Risk oversight forms part of the Board's general oversight of the Fund and is addressed as part of various Board and Committee activities. The Board, directly or through a Committee, also reviews reports from, among others, management, the independent registered public accounting firm for the Fund, subadvisers, and internal auditors for the investment adviser or its affiliates, as appropriate, regarding risks faced by the Fund and management's or the service provider's risk functions. The Committee system facilitates the timely and efficient consideration of matters by the Trustees, and facilitates effective oversight of compliance with legal and regulatory requirements and of the Fund's activities and associated risks.

### **SAMPLE 3**

As registered investment companies, the Funds are subject to a variety of risks, including investment risk, valuation risk, reputational risk, risk of operational failure or lack of business continuity, and legal, compliance and regulatory risk. Risk management seeks to identify and address risks, i.e., events or circumstances that could have material adverse effects on the business, operations, shareholder services, investment performance or reputation of the Fund.

As part of its overall activities, the Board reviews the management of the Funds' risk management structure by various departments of the Adviser, including: Fund Operations, Legal and Internal Audit, as well as by the Funds' Chief Compliance Officer ("CCO"). The responsibility to manage the Funds' risk management structure on a day-to-day basis is within the Adviser's overall investment management responsibilities. The Adviser has its own, independent interest in risk management.

The Board discharges risk oversight as part of its overall activities, with the assistance of its Audit Committee and CCO. In addressing issues regarding the Funds' risk management between meetings, appropriate representatives of the Adviser communicate with the Chair of the Board or the Funds' CCO, who is accountable and reports directly to the Board. Various personnel, including the Funds' CCO, the Adviser's management, and other service providers (such as the Funds' independent accountants) make periodic reports to the Board or to the Audit Committee with respect to various aspects of risk management.

The Board recognizes that not all risks that may affect the Fund can be identified, that it may not be practical or cost-effective to eliminate or mitigate certain risks, that it may be necessary to bear certain risks (such as investment-related risks) to achieve the Fund's investment objective, and that the processes, procedures and controls employed to address certain risks may be limited in their effectiveness. Moreover, reports received by the Directors as to risk management matters are typically summaries of the relevant information. As a result of the foregoing and other factors, the Board's risk management oversight is subject to substantial limitations.

### **SAMPLE 4**

The Portfolio is subject to a number of risks, including, among others, investment, compliance, operational, and valuation risks. The Board's role in risk oversight of the Portfolio reflects its responsibility to oversee generally, rather than to manage, the operations of the Portfolio. The actual day-to-day risk management with respect to the Portfolio or the Trust resides with the Fund Advisor and the other service providers to the Portfolio or the Trust. In line with the Board's oversight responsibility, the Board receives reports and makes inquiries at its regular meetings or otherwise regarding various risks.

However, the Board relies upon the Trust's Chief Compliance Officer, who reports directly to the Board, and the Fund's Advisors (including its Chief Risk Officer and other members of its management team) to assist the Board in identifying and understanding the nature and extent of such risks and determining whether, and to what extent, such risks may be eliminated or mitigated. Although the risk management policies of the Fund's Advisor and the other service providers are designed to be effective, those policies and their implementation vary among service providers and over time, and there is no guarantee that they will be effective. Not all risks that may affect the Portfolio or the Trust can be identified or processes and controls developed to eliminate or mitigate their occurrence or effects, and some risks are simply beyond any control of the Portfolio, the Trust, or the Fund's Advisor, its affiliates or other service providers.

## **SAMPLE 5**

Like most mutual funds, the day-to-day business of the Trust, including the management of risk, is performed by third party service providers, such as the Funds' Adviser, the Distributor and the Administrator. The Trustees are responsible for overseeing the Trust's service providers and, thus, have oversight responsibility with respect to risk management performed by those service providers. Risk management seeks to identify and address risks, i.e., events or circumstances that could have material adverse effects on the business, operations, shareholder services, investment performance or reputation of the Funds. The Funds and their service providers employ a variety of processes, procedures and controls to identify risks, to lessen the probability of their occurrence and/or to mitigate the effects of such risks if they do occur. Each service provider is responsible for one or more discrete aspects of the Trust's business (e.g., the Funds' Adviser is responsible for the investment performance of the Funds and, along with the Board, is responsible for the oversight of the Funds' Sub-Advisers, which, in turn, are responsible for the day-to-day management of the Funds' portfolio investments) and, consequently, for managing the risks associated with that business. The Board has emphasized to the Funds' service providers the importance of maintaining vigorous risk management.

The Trustees' role in risk oversight begins before the inception of a Fund, at which time the Funds' Adviser presents the Board with information concerning the investment objectives, strategies and risks of the Fund as well as proposed investment limitations for the Fund. Additionally, each Sub-Adviser and the Fund's Adviser provides the Board with an overview of, among other things, its investment philosophy, brokerage practices and compliance infrastructure. Thereafter, the Board continues its oversight function as various personnel, including the Trust's Chief Compliance Officer, as well as personnel of the Funds' Adviser and other service providers such as the Fund's independent accountants, make periodic reports to the Audit Committee or to the Board with respect to various aspects of risk management. The Board and the Audit Committee oversee efforts by management and service providers to manage risks to which the Funds may be exposed.

## **SAMPLE 6**

Like other mutual funds, the funds are subject to risks, including investment, compliance, operational and valuation risks, among others. The Board oversees risk as part of its oversight of the funds. Risk oversight is addressed as part of various Board and committee activities. The Board, directly or through its committees, interacts with and reviews reports from, among others, the investment adviser or its affiliates, the funds' Chief Compliance Officer, the funds' independent registered public accounting firm, legal counsel, and internal auditors for the adviser's parent company or its affiliates, as appropriate, regarding risks faced by the funds and the risk management programs of the investment adviser and certain other service providers. Also, the Board and the Joint Audit Committee receive periodic reports from members of the advisers' Risk Management Oversight Committee on the significant risks inherent to the advisers' business, including aggregate investment risks, reputational risk, business continuity risk, and operational risk. The actual day-to-day risk management functions with respect to the funds are subsumed within the responsibilities of the investment advisers and other service providers (depending on the nature of the risk), who carry out the funds' investment management and business affairs. Although the risk management policies of the adviser's parent company, the adviser's parent company, and the other service providers are reasonably designed to be effective, those policies and their implementation vary among service providers, and there is no guarantee that they will be effective. Not all risks that may affect the funds can be identified. Processes and controls developed may not eliminate or mitigate the occurrence or effects of all risks, and some risks may be simply beyond any control of the funds, the adviser's parent company, the adviser's parent company, or their affiliates or other service providers.

## **SAMPLE 7**

The Funds are subject to a number of risks, including, among others, investment, compliance, operational and valuation risks. Risk oversight forms part of the Board's general oversight of the Funds and is addressed as part of various Board and Committee activities. Day-to-day risk management functions are subsumed within the responsibilities of the Funds' Adviser, who carries out the Funds' investment management and business affairs, and also by the Funds' subadviser(s) and other service providers in connection with the services they provide to the Funds. Each of the Funds' Adviser, the subadviser(s) and other service providers have their own, independent interest in risk management, and their policies and methods of risk management will depend on their functions and business models. As part of its regular oversight of the Funds, the Board, directly and/or through a Committee, interacts with and reviews reports from, among others, the Funds' Adviser, the subadviser(s) and the Company's other service providers, (including the Company's distributor, servicing agent and transfer agent) the Company's Chief Compliance Officer, the independent registered public accounting firm for the Company, legal counsel to the Company, and internal auditors for the Funds' Adviser or its affiliates, as appropriate, relating to the operations of the Funds. The Board recognizes that it may not be possible to identify all of the risks that may affect the Funds or to develop processes and controls to eliminate or mitigate their occurrence or effects. The Board may, at any time and in its discretion, change the manner in which it conducts risk oversight.

## **SAMPLE 8**

The fund is subject to a number of risks, including investment, compliance, operational and valuation risks, among others. Risk oversight forms part of the board's general oversight of the fund's investment program and operations and is addressed as part of various regular board and committee activities. Day-to-day risk management with respect to the fund is the responsibility of the fund's Adviser and the Adviser's Parent or other service providers (depending on the nature of the risk), subject to supervision by the fund's Adviser or the Adviser's Parent. Each of the fund's Adviser, the Adviser's Parent and other service providers have their own independent interest in risk management and their policies and methods of risk management may differ from the fund's and each other's in the setting of priorities, the resources available or the effectiveness of relevant controls. As a result, the board recognizes that it is not possible to identify all of the risks that may affect the fund or to develop processes and controls to eliminate or mitigate their occurrence or effects, and that some are simply beyond any control of the fund, the fund's Adviser or the Adviser's Parent or their affiliates or other service providers. As part of its regular oversight of the fund, the board, directly or through a committee, reviews reports from, among others, management, the fund's Chief Compliance Officer, its independent registered public accounting firm, counsel, and internal auditors for the fund's Adviser or the Adviser's Parent or their affiliates, as appropriate, regarding risks faced by the fund and the risk oversight programs of the fund's Adviser and the Adviser's Parent. The board has appointed a Chief Compliance Officer, who oversees the implementation and testing of the fund's compliance program and reports to the board regarding compliance matters for the fund and its service providers; the board has designated one of its members to liaise with the Chief Compliance Officer between board meetings to assure that significant compliance issues identified by the Chief Compliance officer will be brought to the attention of the full board in a timely and appropriate manner. The board may, at any time and in its discretion, change the manner in which it conducts risk oversight.

## SAMPLE 9

The Funds and Trusts are subject to a number of risks, including investment, compliance, operational, and valuation risks, among others. Day-to-day risk management functions are subsumed within the responsibilities of Funds Management, the subadvisers and other service providers (depending on the nature of the risk), who carry out the Funds' investment management and business affairs. Each of Funds Management, the sub-advisers and other service providers have their own, independent interest in risk management, and their policies and methods of carrying out risk management functions will depend, in part, on their individual priorities, resources and controls. Risk oversight forms part of the Board's general oversight of the Funds and Trusts and is addressed as part of various Board and Committee activities. The Board recognizes that it is not possible to identify all of the risks that may affect a Fund or to develop processes and controls to eliminate or mitigate their occurrence or effects. As part of its regular oversight of the Trusts, the Board, directly or through a Committee, interacts with and reviews reports from, among others, Funds Management, subadvisers, the Chief Compliance Officer of the Funds, the independent registered public accounting firm for the Funds, and internal auditors for Funds Management or its affiliates, as appropriate, regarding risks faced by the Funds and relevant risk functions. The Board, with the assistance of its investment teams, reviews investment policies and risks in connection with its review of the Funds' performance. The Board has appointed a Chief Compliance Officer who oversees the implementation and testing of the Funds' compliance program and reports to the Board regarding compliance matters for the Funds and their principal service providers. In addition, as part of the Board's periodic review of the Funds' advisory, subadvisory and other service provider agreements, the Board may consider risk management aspects of their operations and the functions for which they are responsible. With respect to valuation, the Board oversees a management valuation team comprised of officers of Funds Management, has approved and periodically reviews valuation policies applicable to valuing the Fund shares, and has established a valuation committee of Trustees. The Board may, at any time and in its discretion, change the manner in which it conducts its risk oversight role.

# APPENDIX C: ADDITIONAL SAMPLES OF DISCLOSURE FOCUSED ON OVERSIGHT THROUGH THE REPORTS RECEIVED BY THE BOARD

## SAMPLE 1

As previously disclosed, the board oversees the management of the funds and meets at least quarterly with management of the advisors to review reports and receive information regarding fund operations. Risk oversight relating to the funds is one component of the board's oversight and is undertaken in connection with the duties of the board. As described above, the board's committees assist the board in overseeing various types of risks relating to the funds, including, but not limited to, investment risk, operational risk and enterprise risk. The board receives regular reports from each committee regarding the committee's areas of responsibility and, through those reports and its regular interactions with management of the advisors during and between meetings, analyzes, evaluates, and provides feedback on the advisors' risk management processes. In addition, the board receives information regarding, and has discussions with senior management of the advisors about, the advisors' enterprise risk management systems and strategies, including an annual review of the advisors' risk management practices. There can be no assurance that all elements of risk, or even all elements of material risk, will be disclosed to or identified by the board.

## SAMPLE 2

The Board, as a whole, considers risk management issues as part of its general oversight responsibilities throughout the year at regular board meetings, through regular reports that have been developed by Fund management and the Advisor. These reports address certain investment, valuation, and compliance matters. The Board also may receive special written reports or presentations on a variety of risk issues, either upon the Board's request or upon the initiative of the Advisor. In addition, the Audit Committee of the Board meets regularly with management of the Advisor to review reports on the Advisor's examinations of functions and processes that affect the Fund.

With respect to investment risk, the Board receives regular written reports describing and analyzing the investment performance of the Fund's portfolios. The Board discusses these reports and the portfolios' performance and investment risks with management of the Advisor at the Board's regular meetings.

The Investment Committee of the Advisor meets regularly to discuss a variety of issues, including the impact that the investment in particular securities or instruments, such as derivatives, may have on the portfolios. To the extent that the Investment Committee of the Advisor determines to materially change a particular investment strategy of a portfolio that could have a significant impact on the portfolio's risk profile, the Advisor presents such changes to the Board for their approval.

With respect to compliance risks, the Board receives regular compliance reports prepared by the Advisor's compliance group and meets regularly with the Fund's Chief Compliance Officer (CCO) to discuss compliance issues, including compliance risks.

The Advisor periodically provides information to the Board relevant to enterprise risk management describing the way in which certain risks are managed at the complex-wide level by the Advisor. Such presentations include areas such as counter-party risk, material fund vendor or service provider risk, investment risk, reputational risk, personnel risk, and business continuity risk.

### **SAMPLE 3**

The Fund and the Trust are subject to a number of risks, including, among others, investment, compliance, operational, and valuation risks. Risk oversight is part of the Board's general oversight of the Fund and the Trust and is addressed as part of various activities of the Board of Trustees and its Committees. As part of its oversight of the Fund and Trust, the Board directly, or through a Committee, relies on and reviews reports from, among others, Fund management, the adviser, the administrator, the principal underwriter, the Chief Compliance Officer (the "CCO"), and other Fund service providers responsible for day-to-day oversight of Fund investments, operations and compliance to assist the Board in identifying and understanding the nature and extent of risks and determining whether, and to what extent, such risks can be mitigated. Each of the adviser, administrator, principal underwriter, and the other Fund service providers has its own, independent interest and responsibilities in risk management, and its policies and methods for carrying out risk management functions will depend, in part, on its individual priorities, resources and controls. It is not possible to identify all of the risks that may affect the Fund or to develop processes and controls to eliminate or mitigate their occurrence or effects.

The Board, with the assistance of management and with input from the Board's various committees, reviews investment policies and risks in connection with its review of Fund performance. The Board has appointed a Fund Chief Compliance Officer who oversees the implementation and testing of the Fund compliance program and reports to the Board regarding compliance matters for the Fund and its principal service providers. In addition, as part of the Board's periodic review of the advisory, subadvisory (if applicable), distribution and other service provider agreements, the Board may consider risk management aspects of their operations and the functions for which they are responsible. With respect to valuation, the Board approves and periodically reviews valuation policies and procedures applicable to valuing the Fund shares. The administrator, the investment adviser and the subadviser (if applicable) are responsible for the implementation and day-to-day administration of these valuation policies and procedures and provides reports periodically to the Board regarding these and related matters. In addition, the Board or the Audit Committee of the Board receives reports periodically from the independent public accounting firm for the Fund regarding tests performed by such firm on the valuation of all securities, as well as with respect to other risks associated with mutual funds. Reports received from service providers, legal counsel, and the independent public accounting firm assist the Board in performing its oversight function.

### **SAMPLE 4**

The Board's role in overseeing the Fund's general risks includes receiving performance reports for the Fund and risk management reports from the Adviser's Chief Risk Officer at each regular Board meeting. The Chief Risk Officer is responsible for enterprise risk management at the Adviser, which includes risk management committees for investment management and for investor services. The Board also receives regular reports from the Fund's Chief Compliance Officer regarding significant compliance risks. On behalf of the Board, the Audit Committee plays a key role overseeing the Fund's financial reporting and valuation risks. The Audit Committee meets regularly with the Fund's Principal Financial Officer and outside auditors, as well as with the Adviser's Chief Audit Executive to discuss financial reporting and audit issues, including risks relating to financial controls.

## **SAMPLE 5**

The Funds' Adviser, as part of its responsibilities for the day-to-day operations of the funds, is responsible for day-to-day risk management for the funds. The Board, as part of its overall oversight responsibilities for the funds' operations, oversees the risk management efforts of the Funds' Adviser with respect to the funds. The Board, in the exercise of its reasonable business judgment, also separately considers potential risks that may impact the funds. The Board discharges its oversight duties and considers potential risks in a number of different ways, including, but not limited to, receiving reports on a regular basis, either directly or through an appropriate committee, from the Funds' Adviser and its officers. Reports received include those from, among others, the Funds' Adviser's (1) senior managers responsible for oversight of global risk; (2) senior managers responsible for oversight of fund construction and trading risk; (3) Chief Compliance Officer; and (4) Director of Internal Audit. At the time these reports are presented, the Board or the committee receiving the report will, as it deems necessary, invite the presenter to participate in an executive session to discuss matters outside the presence of any other officers or representatives of the Funds' Adviser or its affiliates. The Board also receives reports from other entities and individuals unaffiliated with the Funds' Adviser, including reports from the funds' other service providers and from independent consultants hired by the Board.

Various Board committees also will consider particular risk items as the committee addresses items and issues specific to the jurisdiction of that committee. For example, the Pricing Committee will consider valuation risk as part of its regular oversight responsibilities, and similarly, the Brokerage Committee will consider counterparty risk associated with fund transactions. The Board also may be apprised of particular risk management matters in connection with its general oversight and approval of various fund matters brought before the Board. The Board has appointed a Chief Compliance Officer for the funds ("Fund CCO") who (1) reports directly to the Board and (2) provides a comprehensive written report annually and presents quarterly at the Board's regular meetings. The Fund CCO, who also serves as the Funds' Adviser's Chief Compliance Officer, discusses relevant risk issues that may impact the funds and/or the Funds' Adviser's services to the funds, and routinely meets with the Board in private without representatives of the Funds' Adviser or its affiliates present. The Fund CCO also provides the Board with updates on the application of the funds' compliance policies and procedures, including how these procedures are designed to mitigate risk and what, if any, changes have been made to enhance the procedures. The Fund CCO may also report to the Board on an ad hoc basis in the event that he identifies issues associated with the funds' compliance policies and procedures that could expose the funds to additional risk or adversely impact the ability of the Funds' Adviser to provide services to the funds.

The Board believes that its leadership structure permits it to effectively discharge its oversight responsibilities with respect to the funds' risk management process.

## **SAMPLE 6**

Leadership Structure and Risk Oversight Function...The Trustees meet periodically throughout the year to discuss and consider matters concerning the Trust and to oversee the Trust's activities, including its investment performance, compliance program and risks associated with its activities....In its oversight role, the Board has adopted, and periodically reviews, policies and procedures designed to address risks associated with the Trust's activities. In addition, the Trust's Adviser and the Trust's other service providers have adopted policies, processes and procedures to identify, assess and manage risks associated with the Trust's activities. The Trust's senior officers, including, but not limited to, the Chief Compliance Officer ("CCO") and Treasurer, portfolio management personnel and other senior personnel of the Trust's Adviser, the Trust's independent registered public accounting firm (the "independent auditors"), and personnel from the Trust's third-party service providers make periodic reports to the Board and its Committees with respect to a variety of matters, including matters relating to risk management.

## APPENDIX D: ADDITIONAL SAMPLES OF THE HYBRID APPROACH TO DISCLOSURE

### SAMPLE 1

Consistent with its responsibility for oversight of the Trust and its Portfolios, the Board, among other things, oversees risk management of each Portfolio's investment program and business affairs directly and through the committee structure that it has established. Risks to the Portfolios include, among others, investment risk, credit risk, liquidity risk, valuation risk and operational risk, as well as the overall business and disclosure risks relating to the Portfolios and the Trust. The Board has adopted, and periodically reviews, policies and procedures designed to address these risks. Under the overall supervision of the Board, the Manager and other service providers to the Portfolios also have implemented a variety of processes, procedures, and controls to address these risks. Different processes, procedures and controls are employed with respect to different types of risks. These processes include those that are embedded in the conduct of regular business by the Board and in the responsibilities of officers of the Trust and other service providers, but, of course, there can be no assurance that all risks can be avoided.

The Board requires senior officers of the Trust, including the President, Chief Financial Officer, and Chief Compliance Officer ("CCO"), to report to the full Board on a variety of matters at regular and special meetings of the Board, including matters relating to risk management. The Chief Financial Officer also reports regularly to the Board and to the Audit Committee on the Trust's internal controls and accounting and financial reporting policies and practices. The Board and the Audit Committee also receive regular reports from the Trust's independent registered public accounting firm on internal control and financial reporting matters. On at least a quarterly basis, the Board meets with the Trust's CCO, including meetings in executive session, to discuss issues related to portfolio compliance and, on at least an annual basis, receives a report from the CCO regarding the effectiveness of the Trust's compliance program. In addition, the Board also receives reports from the Manager on the investments and securities trading of the Portfolios, as well as reports from the Valuation Committee regarding the valuation of those investments. The Board also receives reports from the Trust's primary service providers on a periodic or regular basis, including the Advisers to the Portfolios as well as the Trust's custodian, distributors and sub-administrator. The Board also requires the Manager to report to the Board on other matters relating to risk management on a regular and as-needed basis.

### SAMPLE 2

Day-to-day management of the fund, including risk management, is the responsibility of the fund's contractual service providers, including the fund's investment adviser, principal underwriter/distributor and transfer agent. Each of these entities is responsible for specific portions of the fund's operations, including the processes and associated risks relating to the fund's investments, integrity of cash movements, financial reporting, operations and compliance. The board of trustees oversees the service providers' discharge of their responsibilities, including the processes they use to manage relevant risks. In that regard, the board receives reports regarding the fund's service providers' operations, including risks. For example, the board receives reports from investment professionals regarding risks related to the fund's investments and trading. The board also receives compliance reports from the fund's and the investment adviser's chief compliance officers addressing certain areas of risk.

Committees of the fund's board, as well as joint committees of independent board members of the funds, also explore risk management procedures in particular areas and then report back to the full board. For example, the fund's audit committee oversees the processes and certain attendant risks relating to financial reporting, valuation of fund assets,

and related controls. Similarly, a joint review and advisory committee oversees certain risk controls relating to the fund's transfer agency services.

Not all risks that may affect the fund can be identified or processes and controls developed to eliminate or mitigate their effect. Moreover, it is necessary to bear certain risks (such as investment-related risks) to achieve the fund's objectives. As a result of the foregoing and other factors, the ability of the fund's service providers to eliminate or mitigate risks is subject to limitations.

### **SAMPLE 3**

As an integral part of its responsibility for oversight of each fund in the interests of shareholders, the Board oversees risk management of the funds' investment program and business affairs. The Board views risk management as an important responsibility of management and has emphasized to the funds' manager and adviser the importance of maintaining vigorous risk management programs. Oversight of the risk management process is part of the Board's general oversight of the funds and their service providers. The Board exercises oversight of the risk management processes through oversight by the full Board. The funds face a number of risks, such as investment risk, counterparty risk, valuation risk, reputational risk, risk of operational failure or lack of business continuity and legal, compliance and regulatory risk. Risk management seeks to identify and address risks, i.e., events or circumstances that could have material adverse effects on the business, operations, shareholder services, investment performance or reputation of the funds. Under the overall supervision of the Board, the funds, the manager, the funds' adviser and the affiliates of the manager and the adviser, or other service providers to the funds, employ a variety of processes, procedures and controls to identify various of those possible events or circumstances, to lessen the probability of their occurrence and/or to mitigate the effects of such events or circumstances if they do occur. Different processes, procedures and controls are employed with respect to different types of risks. Various personnel, including the funds' and the manager's CCO and the manager's chief risk officer, as well as various personnel of the adviser and other service providers such as the funds' independent accountant, make reports to the Board with respect to various aspects of risk management, as well as events and circumstances that have arisen and responses thereto. The Board recognizes that not all risks that may affect the funds can be identified, that it may not be practical or cost effective to eliminate or mitigate certain risks, that it may be necessary to bear certain risks (such as investment related risks) to achieve the funds' goals, and that the processes, procedures and controls employed to address certain risks may be limited in their effectiveness. Moreover, reports received by the directors as to risk management matters are typically summaries of the relevant information. Furthermore, it is in the very nature of certain risks that they can be evaluated only as probabilities, and not as certainties. As a result of the foregoing and other factors, the Board's risk management oversight is subject to substantial limitations, and no risk management program can predict the likelihood or seriousness of, or mitigate the effects of, all potential risks.

### **SAMPLE 4**

While responsibility for day-to-day risk management relating to the Funds and their operations resides with the Manager, the Subadvisors, and other service providers, the Board actively performs a risk oversight function, both directly and through its Committees, as described below. The Board and its Committees exercise a risk oversight function through regular and ad hoc Board and Committee meetings during which the Board and its Committees meet with representatives of the Manager, the Subadvisors, and other key service providers. The Audit Committee also meets regularly with the Funds' independent registered public accounting firm and Principal Financial and Accounting Officer to discuss internal controls and financial reporting matters, among other things. The Board and Committees regularly require senior management of the Manager and senior officers of the Funds to report to the Board and the Committees on a variety of other risk areas relating to the Funds, including but not limited to investment risks, credit risks, liquidity risks, valuation risks, and operational risks, as well as more general business risks. In addition, the Board has engaged counsel to the Independent Board Members and consults with such counsel both during and between meetings of the Board and the Committees.

The Board also meets regularly with the Funds' Chief Compliance Officer ("CCO"), who reports directly to the Board. The CCO has responsibility for testing the compliance procedures of the Funds and their service providers. The CCO regularly discusses issues related to compliance and provides a quarterly report to the Board regarding the Funds' compliance program. In order to maintain a robust risk management and compliance program for the Funds, the Board and its Committees also regularly review and approve, as necessary, the Funds' compliance policies and procedures and updates to these procedures, as well as review and approve the compliance policies and procedures of certain of the Funds' service providers to the extent that those policies and procedures relate to the operations of the Funds. In addition to the meetings with various parties to oversee the risk management of the Funds, the Board and its Committees also receive regular written reports from these and other parties which assist the Board and the Committees in exercising their risk oversight function. The Board also benefits from other risk management resources and functions within the Manager's organization, including the Manager's risk management personnel and the internal auditor of the Manager's parent company.

## **SAMPLE 5**

**Board Leadership Structure and Oversight**—The following provides an overview of the leadership structure of the Board of Trustees of the Funds (the "Board") and the Board's oversight of the Funds' risk management process.

The Funds have retained the Funds' investment adviser and administrator. The Funds' investment adviser provides the Funds with investment advisory services, and is responsible for day-to-day administration of the Funds and management of the risks that arise from the Funds' investments and operations. Employees of the Funds' investment adviser serve as the Funds' officers, including the Funds' principal executive officer. The Board provides oversight of the services provided by the Funds' investment adviser, including the risk management activities. In addition, each Committee of the Board provides oversight of the risk management activities of the Funds' investment adviser with respect to the particular activities within the Committee's purview. In the course of providing oversight, the Board and the Committees receive a wide range of reports on the Funds' activities, including regarding each Fund's investment portfolio, the compliance of the Funds with applicable laws, and the Funds' financial accounting and reporting. The Board and the relevant Committees meet periodically with Chief Regulatory Officer, Chief Enterprise Risk Officer, and Chief Investment Risk Officer of the Funds' investment adviser to receive reports on risk management activities. The Board also meets periodically with the Funds' Independent Chief Compliance Officer to receive reports regarding the compliance of the Funds with the federal securities laws and the Funds' internal compliance policies and procedures. In addition, the Board meets periodically with the portfolio managers of the Funds to receive reports regarding the management of the Funds, including their investment risks.

## **SAMPLE 6**

The Board's role is one of oversight of the practices and processes of the Funds and their service providers, rather than active management of the Trusts, including in matters relating to risk management. The Board seeks to understand the key risks facing the Funds, including those involving conflicts of interest; how Fund management identifies and monitors these risks on an ongoing basis; how Fund management develops and implements controls to mitigate these risks; and how Fund management tests the effectiveness of those controls. Periodically, Fund officers provide the full Board with an overview of the enterprise risk assessment program in place at the Fund Advisor and the Distributor, which serve as the administrator of and principal underwriter to the Funds, respectively. Fund officers on a quarterly and annual basis also provide the Board (or one of its standing committees) with written and oral reports on regulatory and compliance matters, operational and service provider matters, organizational developments, product proposals, Fund and internal audit results, and insurance and fidelity bond coverage, along with a discussion of the risks and controls associated with these matters, and periodically make presentations to management on risk issues and industry best practices. Fund service providers, including advisers, sub-advisers, transfer agents and the custodian, periodically provide Fund management and/or the Board with information about their risk assessment programs and/or the risks arising out of their activities.

The scope and frequency of these reports vary. Fund officers also communicate with the Trustees between meetings regarding material exceptions and other items germane to the Board's risk oversight function.

## **SAMPLE 7**

Day-to-day management of the various risks relating to the administration and operation of the Trust and the Funds is the responsibility of management, which includes professional risk management staff. The Board oversees this risk management function consistent with and as part of its oversight responsibility. The Board performs this risk management oversight directly and, as to certain matters, through its committees. The following provides an overview of the principal, but not all, aspects of the Board's oversight of risk management for the Trust and the Funds. The Board recognizes that it is not possible to identify all of the risks that may affect the Trust and the Funds or to develop procedures or controls that eliminate the Trust's and the Funds' exposure to all of these risks.

In general, a Fund's risks include, among others, market risk, credit risk, liquidity risk, valuation risk, operational risk, reputational risk, and regulatory compliance risk. The Board has adopted, and periodically reviews, policies and procedures designed to address these and other risks to the Trust and the Funds. In addition, under the general oversight of the Board, Advisors, the investment manager and administrator for each Fund, and other service providers to the Funds have themselves adopted a variety of policies, procedures, and controls designed to address particular risks to the Funds. Different processes, procedures, and controls are employed with respect to different types of risks.

The Board also oversees risk management for the Trust and the Funds through receipt and review by the Board or its committee(s) of regular and special reports, presentations and other information from officers of the Trust and other persons, including from the Chief Risk Officer or other senior risk management personnel for Advisors and its affiliates. Senior officers of the Trust, senior officers of Advisors and its affiliates, and the Funds' Chief Compliance Officer ("CCO") regularly report to the Board and/or one or more of the Board's standing committees on a range of matters, including those relating to risk management.

## **SAMPLE 8**

Through its oversight of the management and operations of the funds, the Board also has a risk oversight function, which includes (without limitation) the following: (i) requesting and reviewing reports on the operations of the funds (such as reports about the performance of the funds); (ii) reviewing compliance reports and approving compliance policies and procedures of the funds and their service providers; (iii) meeting with management to consider areas of risk and to seek assurances that adequate resources are available to address risks; (iv) meeting with service providers, including fund auditors, to review fund activities; and (v) meeting with the Chief Compliance Officer and other officers of the funds and their service providers to receive information about compliance, and risk assessment and management matters. Such oversight is exercised primarily through the Board and its Audit Committee but, on an ad hoc basis, also can be exercised by the Independent Board Members during executive sessions. The Board has emphasized to TAM and the sub-advisers the importance of maintaining vigorous risk management.

The Board recognizes that not all risks that may affect the funds can be identified, that it may not be practical or cost-effective to eliminate or mitigate certain risks, that it may be necessary to bear certain risks (such as investment-related risks) to achieve the funds' goals, and that the processes, procedures and controls employed to address certain risks may be limited in their effectiveness. Moreover, reports received by the Board Members as to risk management matters are typically summaries of the relevant information. Most of the funds' investment management and business affairs are carried out by or through the funds' adviser, its affiliates, the sub-advisers and other service providers each of which has an independent interest in risk management but whose policies and the methods by which one or more risk management functions are carried out may differ from the funds' and each other's in the setting of priorities, the resources available or the effectiveness of relevant controls. As a result of the foregoing and other factors, the Board's risk management oversight is subject to substantial limitations.

In addition, it is important to note that each fund is designed for investors that are prepared to accept investment risk, including the possibility that as yet unforeseen risks may emerge in the future.

## **SAMPLE 9**

As registered investment companies, the Funds are subject to a variety of risks, including investment risks (such as, among others, market risk, credit risk and interest rate risk), financial risks (such as, among others, settlement risk, liquidity risk and valuation risk), compliance risks, and operational risks. The Trustees play an active role, as a full board and at the committee level, in overseeing risk management for the Funds. The Trustees delegate the day-to-day risk management of the Funds to various groups, including but not limited to, portfolio management, risk management, compliance, legal, fund accounting, and various committees discussed herein. These groups provide the Trustees with regular reports regarding investment, valuation, liquidity, and compliance, as well as the risks associated with each. The Trustees also oversee risk management for the Funds through regular interactions with the Funds' external auditors.

The Board also participates in the Funds' risk oversight, in part, through the Funds' compliance program, which covers the following broad areas of compliance: investment and other operations; recordkeeping; valuation and pricing; communications and disclosure; reporting and accounting; oversight of service providers; fund governance; and code of ethics, insider trading controls, and protection of nonpublic information. The program seeks to identify and assess risk through various methods, including through regular interdisciplinary communications between compliance professionals and business personnel who participate on a daily basis in risk management on behalf of the Funds. The Funds' chief compliance officer regularly provides reports to the Board in writing and in person. The Funds' Adviser seeks to identify for the Board the risks that it believes may affect the Funds and develops processes and controls regarding such risks. However, risk management is a complex and dynamic undertaking and it is not always possible to comprehensively identify and/or mitigate all such risks at all times since risks are at times impacted by external events. In discharging its oversight responsibilities, the Board considers risk management issues throughout the year with the assistance of its various committees as described below. Each committee presents reports to the Board after its meeting, which may prompt further discussion of issues concerning the oversight of the Funds' risk management. The Board as a whole also reviews written reports or presentations on a variety of risk issues as needed and may discuss particular risks that are not addressed in the committee process. Among other committees, the Board has established an Audit Committee, which is composed solely of Non-Interested Trustees and which oversees management of financial risks and controls. The Audit Committee serves as the channel of communication between the independent auditors of the Funds and the Board with respect to financial statements and financial reporting processes, systems of internal control, and the audit process. Although the Audit Committee is responsible for overseeing the management of financial risks, the Board is regularly informed of these risks through committee reports.

## **SAMPLE 10**

The trustees play an active role, as a full board and at the committee level, in overseeing risk management for the funds. The trustees delegate the day-to-day risk management of the funds to various groups, including portfolio review, investment management, risk management, compliance, legal, fund accounting, and fund financial services. These groups provide the trustees with regular reports regarding investment, valuation, liquidity, and compliance, as well as the risks associated with each. The trustees also oversee risk management for the funds through regular interactions with the funds' internal and external auditors.

The full board participates in the funds' risk oversight, in part, through the funds' compliance program which covers the following broad areas of compliance: investment and other operations; recordkeeping; valuation and pricing; communications and disclosure; reporting and accounting; oversight of service providers; fund governance; and code of ethics, insider trading controls, and protection of nonpublic information. The program seeks to identify and assess risk through various methods, including through regular interdisciplinary communications between compliance professionals and business personnel who participate on a daily basis in risk management on behalf of the funds. The funds' chief compliance officer regularly provides reports to the board in writing and in person.

## **SAMPLE 11**

Consistent with its responsibility for oversight of the Trust and its Portfolios, the Board oversees the management of risks relating to the administration and operation of the Trust and the Portfolios. The Board performs this risk management oversight directly and, as to certain matters, through its committees (described below) and through the Disinterested Trustees. The following provides an overview of the principal, but not all, aspects of the Board's oversight of risk management for the Trust and the Portfolios.

In general, a Portfolio's risks include, among others, investment risk, credit risk, liquidity risk, valuation risk, operational risk and regulatory compliance risk. The Board has adopted, and periodically reviews, policies and procedures designed to address these and other risks to the Trust and the Portfolios. In addition, under the general oversight of the Board, the Management Company, each Portfolio's investment manager, and other service providers to the Portfolio have themselves adopted a variety of policies, procedures and controls designed to address particular risks to the Portfolio. Different processes, procedures and controls are employed with respect to different types of risks.

The Board also oversees risk management for the Trust and the Portfolios through review of regular reports, presentations and other information from officers of the Trust and other persons. Senior officers of the Trust, senior officers of the Management Company, the Parent of the Management Company, and the Portfolios' Chief Compliance Officer ("CCO") regularly report to the Board on a range of matters, including those relating to risk management. The Board also regularly receives reports from the Management Company with respect to the investments and securities trading of the Portfolios, reports from management personnel regarding valuation procedures and reports from management's Valuation Committee (described below) regarding the valuation of particular securities. In addition to regular reports from the Management Company and its Parent, the Board also receives reports regarding other service providers to the Trust, either directly or through the Management Company and its Parent or the Portfolios' CCO, on a periodic or regular basis. At least annually, the Board receives a report from the Portfolios' CCO regarding the effectiveness of the Portfolios' compliance program. Also, on an annual basis, the Board receives reports, presentations and other information from the Management Company and its Parent in connection with the Board's consideration of the renewal of each of the Trust's agreements with the Management Company and its Parent and the Trust's distribution plans under Rule 12b-1 under the 1940 Act.

## APPENDIX E: ADDITIONAL SAMPLES OF THE EXTENDED APPROACH TO DISCLOSURE

### SAMPLE 1

The Board is responsible for the oversight of the activities of the Series, including oversight of risk management. Day-to-day risk management with respect to the Series is the responsibility of the Fund's Adviser or other service providers (depending on the nature of the risk), subject to supervision by the Fund's Adviser. The risks of the Series include, but are not limited to, investment risk, compliance risk, operational risk, reputational risk, credit risk, and counterparty risk. Each of the Fund's Adviser and the other service providers have their own independent interest in risk management and their policies and methods of risk management may differ from the Series and each other's in the setting of priorities, the resources available or the effectiveness of relevant controls. As a result, the Board recognizes that it is not possible to identify all of the risks that may affect the Series or to develop processes and controls to eliminate or mitigate their occurrence or effects, and that some risks are simply beyond the control of the Series or the Fund's Adviser, its affiliates or other service providers.

The Board effectuates its oversight role primarily through regular and special meetings of the Board and Board committees. In certain cases, risk management issues are specifically addressed in presentations and discussions. For example, the Fund's Adviser has an independent dedicated Market Risk Group that assists the Fund's Adviser in managing investment risk. Representatives from the Market Risk Group regularly meet with the Board to discuss their analysis and methodologies. In addition, investment risk is discussed in the context of regular presentations to the Board on Series strategy and performance. Other types of risk are addressed as part of presentations on related topics (e.g., compliance policies) or in the context of presentations focused specifically on one or more risks. The Board also receives reports from the Fund's Adviser management on operational risks, reputational risks and counterparty risks relating to the Series.

Board oversight of risk management is also performed by various Board committees. For example, the Audit Committee meets with both the Series' independent registered public accounting firm and the internal audit group of the Fund's Adviser to review risk controls in place that support the Series as well as test results, and the Compliance Committee meets with the CCO and representatives of the compliance group of the Fund's Adviser to review testing results of the Series' compliance policies and procedures and other compliance issues. Board oversight of risk is also performed as needed between meetings through communications between the Fund's Adviser and the Board. The Board may, at any time and in its discretion, change the manner in which it conducts risk oversight. The Board's oversight role does not make the Board a guarantor of the Series' investments or activities.





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