

**Item 1 – Cover Page**

**Wells Capital Management, Incorporated**

**525 Market St. San Francisco, CA 94105**

**415-396-8000**

**[www.wellscap.com](http://www.wellscap.com)**

**May 25, 2012**

Form ADV, Part 2; our “Disclosure Brochure” or “Brochure” as required by the Investment Advisers Act of 1940 is a very important document between Clients (you, your) and “Wells Capital Management” (us, we, our).

***This brochure provides information about the qualifications and business practices of Wells Capital Management, Inc. (“WellsCap”). If you have any questions about the contents of this brochure, please contact us at 415-396-8000 or [www.wellscap.com](http://www.wellscap.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any State Securities Authority. Additional information about WellsCap also is available at the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (click on the link, select “investment adviser firm” and type in our firm name). Results will provide you both Part 1 and 2 of our Form ADV.***

WellsCap is a registered investment adviser with the Securities and Exchange Commission. Our registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications we provide to you, including this Brochure, is information you use to evaluate us (and other advisers) which are factors in your decision to hire us or to continue to maintain a mutually beneficial relationship.



## **Item 2 – Material Changes**

### SUMMARY OF MATERIAL CHANGES SINCE LAST UPDATE (March 31, 2012)

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Currently, our Brochure may be requested by contacting the Chief Compliance Officer staff at (415) 396-5502 or [nobuko.nagata@wellscap.com](mailto:nobuko.nagata@wellscap.com).

Our Brochure is available on our web site [www.wellscap.com](http://www.wellscap.com), also free of charge. Additional information about Wells Capital Management, Inc. is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with WellsCap who are registered, or are required to be registered, as investment adviser representatives of WellsCap.



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## Item 4 – Advisory Business

### FIRM OVERVIEW

Wells Capital Management, Incorporated (“WellsCap”) is incorporated in California and is a registered investment adviser. WellsCap is a wholly owned subsidiary of Wells Fargo Bank, N.A. (“Wells Fargo”), which is wholly owned by Wells Fargo & Company, a diversified financial services company. WellsCap was created in 1996 from Wells Fargo’s existing institutional business, whose investment management teams have been in place since 1987. WellsCap maintains a significant presence in the institutional investment field and manages institutional portfolios for endowments, foundations, healthcare organizations, educational organizations, public agencies, multi-employer plans, sovereign organizations, insurance companies, and Taft-Hartley plans. Over 800 professionals located in offices throughout the United States are dedicated to the management and servicing of WellsCap’s client portfolios. WellsCap also provides portfolio investment management services as a sub-advisor to registered investment companies and serves as the collateral manager for certain non-registered structured products (i.e. collateralized debt obligations “CDO” and collateralized loan obligations “CLO”).

WellsCap’s management of client portfolios is generally on a fully discretionary basis. The firm actively manages those portfolios with an overall goal of maximizing total returns subject to each client’s risk profile and investment guidelines and tailored to the individual needs of clients. WellsCap does not consider the above services “financial planning” or any similar term.

### TYPES OF ADVISORY SERVICES

Types of Investments. WellsCap offers a variety of equity, balanced and fixed income investment strategies, utilizing securities that include, but are not limited to, common stock, preferred stock, corporate bonds (both higher and lower rated), municipal bonds (both insured and uninsured) and certain cash equivalents (e.g. money market funds).

WellsCap may offer investment advice on the following types of investments:

- Equity securities (including exchange-listed securities, over-the counter securities, foreign issues, tactical, and long/short strategies)
- Warrants



- Corporate debt securities
- Commercial paper
- Certificates of deposit
- Municipal securities
- Mutual funds
- Option contracts on securities and commodities
- U.S. government securities
- Interests in limited liability companies
- Credit default swaps
- Structured Products (CDO, CLO and CMO)
- Bank Loans

In limited circumstances, where clients are deemed able and are willing to accept greater risk in pursuit of potential higher total return, WellsCap also uses some leveraging and hedging techniques, including buying securities on margin, and selling securities short. Clients may impose restrictions on investing in certain securities or types of securities. Some of WellsCap's clients have restrictions as to which securities may be purchased. For instance, for some clients, no investments shall be made in securities of corporations whose operations are not consistent with moral teachings. Clients have also placed restrictions on the percentage of assets under management that may be held in the securities of any one company and other concentration caps.

WellsCap is not a broker dealer and consistently, does not sponsor wrap fee programs. Nor does WellsCap maintain direct contractual investment advisory relationships with Wrap sponsors. Instead, WellsCap may contract with Registered Investment Advisors for the purpose of offering sub-advisory services. In providing these sub-advisory services, WellsCap makes reasonable inquiry and establish assurances that its client, the registered investment advisor, either provides the necessary ADV to the Wrap clients itself or that it validate the sponsor's undertaking of such action.

#### CURRENT ASSETS UNDER MANAGEMENT

As of December 31, 2011, WellsCap has discretionary advisory authority over \$315.6 Billion in assets under management.



## Item 5 – Fees and Compensation

WellsCap assumes discretionary investment authority for investment accounts of, or furnishes investment advice to, institutions, including pension or other employee benefit trusts, corporations, investment companies and other entities. For such services, WellsCap receives a fee usually based upon a percentage of the market value of assets under management. In certain circumstances described further below, WellsCap may also receive other compensation, such as performance-based fees or “wrap” fees.

The basic fee schedule for WellsCap’s investment advisory services is indicated below, and WellsCap may modify the fees when circumstances warrant (e.g., large accounts size; accounts that require special services). Lower fees for comparable services may be available from other sources. The fee schedule represents tiered fees and not weighted averages for the total amount of assets under management. The minimum account size is \$5,000,000 but it may vary by investment style and asset class. There are no start-up or closing fees, and any partial periods are prorated over the billing cycle. Because WellsCap bills in arrears, there is no refund policy. Advisory agreements may be terminated in accordance with the termination notices and terms of the advisory contract.

### SMALL CAP EQUITY

#### Small Cap Equity

First \$25 Million	1.00%
Next \$25 Million	0.90%
Next \$50 Million	0.85%
Over \$100 Million	0.80%
Minimum Annual Fee \$50,000*	

\*Except for Small Cap Value Equity which is \$100,000

### SMID CAP EQUITY

#### All SMID Cap Equity

First \$25 Million	0.95%
Next \$25 Million	0.85%
Next \$50 Million	0.80%
Over \$100 Million	0.75%
Minimum Annual Fee \$95,000	

MID CAP EQUITY

## Mid Cap Value and Growth Equity

First \$25 Million	0.85%
Next \$25 Million	0.75%
Next \$50 Million	0.70%
Over \$100 Million	0.65%
Minimum Annual Fee \$85,000	

## Mid Cap Equity

First \$50 Million	0.85%
Next \$50 Million	0.75%
Over \$100 Million	0.70%
Minimum Annual Fee \$85,000	

LARGE CAP EQUITY

## Large Cap Equity

First \$25 Million	0.75%
Next \$25 Million	0.65%
Next \$50 Million	0.50%
Over \$100 Million	0.40%
Minimum Annual Fee \$75,000	

## Heritage Premier Growth Equity

First \$25 Million	0.75%
Next \$25 Million	0.65%
Next \$50 Million	0.60%
Over \$100 Million	0.55%
Minimum Annual Fee \$75,000	

ALL CAP EQUITY

## All Cap Growth Equity

First \$25 Million	0.85%
Next \$25 Million	0.75%
Next \$50 Million	0.70%
Over \$100 Million	0.65%
Minimum Annual Fee \$85,000	

NON-US EQUITY

## All Emerging Markets Equity

First \$50 Million	1.10%
Next \$50 Million	0.90%
Next \$100 Million	0.85%
Over \$200 Million	0.70%
Minimum Annual Fee \$110,000	



#### Berkeley Street Emerging Markets Equity

First \$50 Million	1.10%
Next \$50 Million	0.90%
Over \$100 Million	0.85%
Minimum Annual Fee \$110,000	

#### Emerging Markets Equity Closed End Fund

Flat Fee	1.00%
Minimum Annual Fee \$250,000	

#### Asia Pacific Equity

First \$25 Million	0.80%
Next \$75 Million	0.60%
Over \$100 Million	0.50%
Minimum Annual Fee \$80,000	

#### Berkeley Street International Equity

First \$25 Million	0.85%
Next \$25 Million	0.70%
Next \$50 Million	0.60%
Over \$100 Million	0.50%
Minimum Annual Fee \$85,000	

#### Berkeley Street International Small Cap Equity

First \$50 Million	1.00%
Next \$50 Million	0.95%
Over \$100 Million	0.85%
Minimum Annual Fee \$100,000	

#### Berkeley Street International SMID Cap Relaxed Constraint

Flat Fee	1.50%
Minimum Annual Fee \$150,000	

#### International Equity Closed End Fund

#### Global Equity Closed End Fund

Flat Fee	0.85%
Minimum Annual Fee \$212,500	

#### EverKey International Equity

#### EverKey Global Equity

#### EverKey Global Focus

#### EverKey Global Concentrated

First \$25M	0.85%
Next \$25M	0.75%
Next \$50M	0.70%





Over \$100M 60bps  
Minimum Annual Fee \$85,000

#### Precious Metals

##### Health Care

First \$10 Million	0.95%
Next \$15 Million	0.85%
Next \$25 Million	0.75%
Next \$50 Million	0.65%
Over \$100 Million	0.60%
Minimum Annual Fee \$95,000	

#### FIXED INCOME

##### Core Fixed Income

First \$50 Million	0.30%
Next \$50 Million	0.25%
Over \$100 Million	0.20%
Minimum Annual Fee \$75,000	

##### Montgomery Core Fixed Income

First \$15 Million	0.42%
Next \$85 Million	0.30%
Next \$100 Million	0.25%
Next \$550 Million	0.20%
Over \$750 Million	0.15%
Minimum Annual Fee \$243,000	

##### Intermediate Fixed Income

##### Mortgage-Focused Government Fixed Income

First \$25 Million	0.35%
Next \$25 Million	0.25%
Over \$50 Million	0.20%
Minimum Annual Fee \$87,500	

##### Municipal Fixed Income

##### Intermediate Municipal Fixed Income

##### Municipal Plus Fixed Income

First \$25 Million	0.35%
Next \$25 Million	0.25%
Over \$50 Million	0.20%
Minimum Annual Fee \$70,000	

##### Core Plus Fixed Income

##### Income Plus Fixed Income

First \$25 Million	0.40%
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Next \$25 Million      0.35%  
 Over \$50 Million      0.30%  
 Minimum Annual Fee \$100,000

Medium Quality Credit Fixed Income

First \$50 Million      0.40%  
 Next \$50 Million      0.35%  
 Over \$100 Million      0.30%  
 Minimum Annual Fee \$100,000

Sutter High Yield Fixed Income

Sutter Conservative High Yield

High Yield Fixed Income

Short-Term High Yield Fixed Income

First \$50 Million      0.60%  
 Over \$50 Million      0.50%  
 Minimum Annual Fee \$300,000

Sutter Leveraged Loans

Flat Annual Fee      All balances 0.50%\*

\*Fees may be based on notional value, may be affected by leverage, and may include performance-based fees.

Montgomery Short Duration Fixed Income

First \$10 Million      0.45%  
 Over \$10 Million      0.25%  
 Minimum Annual Fee \$207,500

LDI/Long Duration Management

First \$50 Million      0.40%  
 Next \$50 Million      0.30%  
 Over \$100 Million      0.20%  
 Minimum Annual Fee \$100,000

Cash Tax-Advantaged Fixed Income

Enhanced Cash Tax-Advantaged Fixed Income

Limited Duration Tax-Advantaged Fixed Income

Taxable 3 Month Fixed Income

Taxable 6 Month Fixed Income

Taxable 1 Year Fixed Income

Taxable 1-3 Year Fixed Income

Taxable 1-5 Year Fixed Income

For Accounts with an initial balance <\$100 Million:

First \$25 Million      0.20%



Next \$50 Million      0.15%  
 Over \$75 Million      0.10%  
 Minimum Annual Fee \$40,000

For Accounts with an initial balance >\$100 Million:

First \$100 Million      0.10%  
 Over \$100 Million      0.08%  
 Minimum Annual Fee \$75,000

#### Premier Income Fixed Income

##### Intermediate Premier Income Fixed Income

First \$50 Million      0.40%  
 Next \$50 Million      0.35%  
 Over \$100 Million      0.30%  
 Minimum Annual Fee \$40,000

#### Ultra-Short Tax-Advantaged Fixed Income

##### Ultra-Short Plus Tax-Advantaged Fixed Income

##### Short-Term Plus Tax-Advantaged Fixed Income

##### Short-Term Tax-Advantaged Fixed Income

##### Taxable Plus 1-3 Year Fixed Income

##### Taxable Ultra-Short Plus Fixed Income

First \$50 Million      0.25%  
 Next \$50 Million      0.20%  
 Over \$100 Million      0.15%  
 Minimum Annual Fee \$100,000

#### Money Market

Flat Annual Fee      0.20%

#### Treasury Inflation Protected Securities

First \$25 Million      0.25%  
 Next \$25 Million      0.20%  
 Over \$50 Million      0.15%  
 Minimum Annual Fee \$62,500

#### Adjustable Rate Fixed Income

First \$50 Million      0.35%  
 Over \$50 Million      0.25%  
 Minimum Account Fee \$175,000

#### Balanced Accounts

First \$10 Million      0.85%  
 Next \$40 Million      0.65%  
 Over \$50 Million      0.50%



Minimum Annual Fee \$85,000

### QUANTITATIVE STRATEGIES

#### Global Tactical Asset Allocation

First \$20 Million	0.75%
Next \$30 Million	0.60%
Next \$50 Million	0.50%
Next \$100 Million	0.40%
Over \$200 Million	0.25%
Minimum Annual Fee \$150,000	

#### Tactical Asset Allocation

First \$100 Million	0.15%
Next \$150 Million	0.12%
Next \$250 Million	0.10%
Next \$500 Million	0.08%
Over \$1 Billion	0.06%
Minimum Annual Fee \$50,000	

#### Tactical Equity Allocation

First \$100 Million	0.35%
Next \$150 Million	0.28%
Next \$250 Million	0.20%
Next \$500 Million	0.16%
Over \$1 Billion	0.12%
Minimum Annual Fee \$35,000	

#### Tactical Portfolio Management

First \$100 Million	0.50%
Next \$150 Million	0.40%
Next \$250 Million	0.30%
Next \$500 Million	0.24%
Over \$1 Billion	0.18%
Minimum Annual Fee \$50,000	

#### Tactical Alpha Overlay

Option A	
30% of Value Added*	
Option B	
Base Fee (All Assets)	
Low Volatility Strategy	0.10%
Mid Volatility Strategy	0.20%
High Volatility Strategy	0.30%
Plus Incentive Fee (All Assets)	
20% of Value Added*	



\*In excess of fees, expenses.

Diversified Exposures

First \$10 Million	1.00%
Next \$10 Million	0.85%
Next \$30 Million	0.70%
Over \$50 Million	0.50%
Minimum Annual Fee	\$100,000

Indexing (S&P 500)

First \$100 Million	0.07%
Over \$100 Million	0.03%
Minimum Annual Fee	\$100,000

OTHER CONSIDERATIONS

Special Circumstances – General. The preceding describes WellsCap's basic fee schedule for separately managed client accounts; however, fees may be negotiable where special circumstances prevail, and arrangements with any particular client may vary from the foregoing. In some cases, fees charged by WellsCap may be greater than fees charged by other investment advisors for similar services; in other cases our fees may be lower.

Special Circumstances – Offshore Clients. WellsCap may also manage accounts for clients or their accounts based outside of the United States. In many such arrangements, and in consideration of the enhanced administrative costs, WellsCap may charge fees that are higher than the fees specified above.

Equity Models. WellsCap receives compensation for providing investment recommendations for certain equity models maintained for the benefit of certain WellsCap and Wells Fargo clients.

Additional services, including arrangements involving client commission dollars, as well as referral services, are described in [Item 14](#) (Client Referrals and Compensation) below.



Wrap Accounts. WellsCap may participate in "wrap fee" programs and may be compensated for its investment advisory services by the financial services entities that sponsor the program ("Sponsor"). Clients that participate in these programs will not be subject to WellsCap's minimum account size or account maintenance requirement that otherwise apply to separately managed accounts, but may be subject to other independent account requirements established by the Sponsor. The Sponsor may recommend retention of WellsCap as an investment adviser, pay the firm's advisory fee on behalf of the client, monitor and evaluate the firm's performance, execute the client's portfolio transactions without commission charge, provide custodial services for the wrap client's assets, or provide a combination of these and other services all for a single fee paid by the client to the Sponsor. The wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately and if WellsCap were free to negotiate commissions and seek best price and execution of transactions for the client's account.

For a detailed description of services offered under a wrap fee arrangement, a client may request a copy of the Sponsor's Schedule H of Form ADV (Disclosure Brochure).



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

### PERFORMANCE FEES

For some clients and accounts that WellsCap manages, WellsCap has received or will receive a performance-based fee. Where a portfolio manager manages accounts that include performance-adjusted fees and other accounts that do not, the portfolio manager may have an incentive to favor those accounts that include a potential conflict of interest if the accounts have different objectives, benchmarks, time horizons and fees as the portfolio manager must allocate his or her time and investment ideas across multiple funds and accounts. Potential conflicts of interest may also arise if the orders do not get fully executed due to being aggregated with those of other accounts managed by WellsCap. The portfolio manager also may execute transactions for other accounts that may adversely impact the value of securities held by other client accounts. For example, the portfolio manager may manage other accounts that engage in short sales, and could sell short a security for such other account that the another account also trades or holds.

WellsCap has adopted compliance procedures to deter and detect potential conflicts of interest that might arise as a result of the performance-based fee structure of these accounts. Some of the performance fee methods of calculation include the following:

- Performance fee computations based on annual achieved returns of the client's portfolio against the designated benchmark.
- Performance fee equaling a percentage of the performance of the client's portfolio in excess of a designated benchmark.
- A base fee on all balances in the client's portfolio plus a percentage of incremental outperformance (performance of client's portfolio in excess of the designated benchmark).

Although WellsCap monitors such transactions to attempt to ensure equitable treatment of the holding account and the account that engages in short sales, there can be no assurance that the price of a security held by the account would not be impacted as a result. Also, securities selected for a particular account may outperform the securities selected for other accounts managed by the same portfolio manager. For more information regarding conflicts of interests relating to the management of multiple funds and accounts, please see Code of Ethics procedures regarding Personal Trading.



### SIDE BY SIDE MANAGEMENT

As a general rule, WellsCap does not advise clients to purchase securities of issuers in which WellsCap has an interest, or sell securities to or purchase securities from clients. WellsCap does not own any securities. From time to time, however, WellsCap may recommend or cause a client to invest in a security in which WellsCap or a person associated with WellsCap has an ownership position. WellsCap has adopted certain procedures intended to prevent advisory persons and immediate family from benefiting from any price movements that may be caused by client transactions or WellsCap's recommendations regarding such securities. Under those procedures, without specific approval, advisory persons are not allowed to purchase securities for their own account or an account in which they have a beneficial interest for a period of time before and after a client account purchases that security. Thus, if an advisory person purchases a security in an account in which he or she has a beneficial interest, he or she generally cannot cause any client accounts to purchase that security within the stated time period unless circumstances warrant such action without likelihood of non-negligible impact to our clients.

In certain situations WellsCap may have an incentive to favor the performance-based fee account. To address this conflict of interest, WellsCap manages both types of accounts in a similar manner, with similar investments and similar allocations.





## **Item 7 – Types of Clients**

WellsCap provides services to a comprehensive category of clients including the following:

- Institutional clients, corporations or other business entities
- Individuals, including high net worth individuals
- Public funds and municipalities
- Foundations, endowments, trusts and estates
- Mutual fund companies
- Taft-Hartley plans, governmental plans, and unions
- Health services organizations
- Insurance organizations
- Wrap program sponsors
- Charitable organizations and non- profit entities
- Sovereign Wealth Fund/Central Bank
- Private and Hedge Funds
- Retirement and Other ERISA entities



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

### **ANALYSIS**

WellsCap's investment methods include quantitative, qualitative, and cyclical analysis using WellsCap's proprietary systems, data bases, trading systems, and third-party data reporting. WellsCap may also use a wide variety of publicly available market and economic factors to make asset allocation and investment decisions. This information may come from many different sources including financial newspapers, magazines and journals, research materials prepared by others, on-line services, press releases, third-party services, and publicly available filings with governmental and regulatory agencies. Depending on the type of asset class, investment, and strategy, WellsCap's investment analytics may include an examination of the following:

- Pricing and valuation gaps between asset classes
- Short-term and longer-term macroeconomic, microeconomic and market trends in both the US and larger foreign markets
- US and foreign legislative and political developments
- Proprietary quantitative models and screens
- Valuation analysis to objectively assess the value of assets
- Proprietary Credit Analysis
- Business model analysis to identify sustainable earnings growth
- Debt and cash flow analysis
- Bottom-up company specific analysis to find securities with under-appreciated prospects

### **INVESTMENT STRATEGIES**

WellsCap's investment approach may also include asset allocation based on the following strategies:

- Trading strategies based on potential relative value opportunities
- Use of when-issued or delayed delivery instruments
- Foreign currency investments for modifying currency exchange exposure
- Buying or selling of futures, options, or swap agreements, as well as other derivatives, to manage risk or to enhance return



### RISK OF LOSS

All investments in securities include a risk of loss of your principal (invested amount) and any profits that have not been realized (the securities were not sold to “lock in” the profit). As you know, stock markets and bond markets fluctuate substantially over time. In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets we manage that may be out of our control. WellsCap will do its very best in the management of its clients’ assets; however, it cannot guarantee any level of performance or its clients will not experience a loss in the client’s accounts.



## **Item 9 – Disciplinary Information**

Wells Capital Management is obligated to disclose any regulatory, disciplinary, or legal matter that may be material to you when evaluating your advisory relationship with us.

We do not have any such item to report to you. This statement applies to our firm, and to every employee of our firm.

Wells Capital Management is a subsidiary of Wells Fargo Bank, which is a wholly-owned subsidiary of Wells Fargo & Company (“WFC;” and collectively with its subsidiaries and affiliates, “Wells Fargo”). Wells Fargo operates in a legal and regulatory environment that exposes it to significant risks. As a result, Wells Fargo is involved in various legal and regulatory matters, including litigation, arbitrations, and regulatory and criminal investigations. Such cases are subject to many uncertainties, and their outcome is often difficult to predict, including the impact on Wells Fargo’s operations or financial results, particularly in the early stages of a case. Many, but not necessarily all, of such matters are disclosed in Wells Fargo’s securities and regulatory filings made under the Securities Act of 1933 and the Securities Exchange Act of 1934, among other laws and regulations, or otherwise may be reported on in the media from time to time. Wells Fargo’s regulatory filings generally are available from Wells Fargo, the Securities and Exchange Commission, or the Financial Industry Regulatory Authority (FINRA). No such matters are expected to materially impact Wells Capital Management.



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

WellsCap offers only investment advisory services. It does not act in or get compensated for any broker-dealer or investment banking functions.

Notwithstanding, WellsCap identifies the following affiliations and arrangements with related persons in the financial services industry; additional information regarding any potential conflicts is identified in [Item 11](#) (Code of Ethics and Conflicts of Interest) below.

Wells Fargo Advisors (“WFA”) is a subsidiary of Wells Fargo & Company, an affiliate of WellsCap, and the Sponsor of wrap fee programs. As part of these programs, clients of WFA may choose an advisor to manage the client’s assets in the programs. As one of many available advisors within the program, WellsCap may from time to time enter into an arrangement to act in an advisory capacity with respect to the retail client assets of certain WFA clients. Trade execution on a non-principal basis may also be effectuated by WFA. Additional information about this program is available in WFA’s form ADV.

Wells Fargo Funds Distributor, LLC is an affiliate of WellsCap and a broker-dealer that engages in the sale of mutual fund shares. Wells Fargo Funds Distributor, LLC maintains registered representative licensure for a limited number of WellsCap employees who are also engaged in sales activity, or the handling of client relationships on behalf of WellsCap. Because the Wells Fargo Funds Distributor has supervisory oversight and control of these licensed employees as dual employees, WellsCap does not consider their broker-dealer or other sales activities to be a function of WellsCap.

Wells Fargo Securities, LLC is an affiliate broker-dealer that engages in investment banking activity. WellsCap may purchase certain new offerings of securities where this investment bank affiliate is a participant in the syndicate, provided that WellsCap purchases are limited pursuant to regulatory restrictions, as may be applicable from time to time.

WellsCap provides advisory and sub-advisory services on a contract basis to mutual fund complexes and other advisors. In serving as a sub-advisor, WellsCap oversees the function of portfolio management and related reporting functions only. Because



WellsCap considers the contracting Advisor (or Fund) as its client, WellsCap distributes its Form ADV and other disclosures to its client directly and not to the underlying fund shareholders or trust beneficiaries. WellsCap relies on the contracting advisor to take responsibility for AML/Privacy/Disclosure and counseling of any shareholder-specific inquiries.

WellsCap also serves as a sub-adviser for affiliates of Wells Fargo including Institutional Trust Services, Securities Lending, Wells Fargo Wealth Management Group, and various series of Wells Fargo Funds Trust, Wells Fargo Master Trust, and Wells Fargo Variable Trust ("Funds"), also known as the Wells Fargo Advantage Funds. Wells Fargo Funds Management, LLC, a subsidiary of Wells Fargo & Company and an affiliate of WellsCap, is the investment adviser for the Funds and directs the sub-advisory relationship with WellsCap pursuant to applicable advisory contracts for each fund. Wells Fargo Funds Management, LLC also acts as administrator to the Funds. As discussed further in [Section 11](#) (Code of Ethics and Conflicts of Interest) below, WellsCap also advises the Thirty-Eight Hundred Fund, LLC, a registered closed-end investment company.



## Item 11 – Code of Ethics and Conflicts of Interest

WellsCap's Code of Ethics (Code) is adopted pursuant to Section 204A of the Advisers Act. The Code governs a number of potential conflicts of interest that we may have when providing our advisory services to you, and is designed to ensure that we meet our fiduciary obligations to you. The Code applies to all WellsCap employees by governing employee personal trading activities and providing guidance with respect to potential conflicts of interest, insider trading, and the use of material non-public information. In addition, all WellsCap employees are also subject to a separate Code of Ethics that is applicable to all employees of Wells Fargo & Company.

The Code is designed to detect and prevent violations of securities laws while addressing the obligations we owe to you. The Code is comprehensive, is distributed to each employee at the time of hire as a condition of employment, and its terms and compliance must be acknowledged in writing by each employee annually thereafter. WellsCap supplements the Code with on-going monitoring of employee activity.

While a copy of the Code of Ethics is available to any client or prospective client upon request at any time by contacting us at the address listed in this brochure, the material provisions of the Code include the following:

- Requirements related to the confidentiality of your information and finances;
- Prohibitions on insider trading or the misuse of material, non-public information;
- A prohibition on the acceptance of gifts and entertainment that exceed our policy standards;
- Pre-clearance of employee personal securities transactions; and,
- Reporting of relevant personal securities transactions.

All personal trading activities for investment personnel are subject to WellsCap's pre-clearance requirements under the Code, as well as ongoing monitoring by WellsCap's compliance department. The Code requires daily pre-clearance of personal trade transactions and reconciliation of trading activity against trade confirmations and employee's brokerage statements to help deter and/or detect activities such as "front-running", "scalping", and insider trading. Employees are required to disclose conflicts of interest and are barred from acting upon material



non-public information. In addition, prior approval requirements for purchases and sales of securities that may be common between personal holdings and holdings directly managed by Portfolio Managers are clearly delineated in the Code. WellsCap employees who maintain brokerage or investment accounts for themselves and/or their immediate families are required to provide copies of their reportable securities transactions at the end of every calendar quarter.

#### ADDITIONAL POTENTIAL CONFLICTS AND CODE CONSIDERATIONS

Our Code does not prohibit personal trading by employees but rather seeks to monitor and manage their trading, and in some cases restrict it to certain conditions. In addition, WellsCap is affiliated with a large financial services holding company which includes a variety of financial businesses and activities that are managed by Wells Fargo employees. As a result, due to our activities as a professional investment adviser, it is possible that conflicts may arise from time to time as WellsCap employees are managing their personal assets concurrent with the ongoing functions related to their employment duties and our fiduciary obligations, or as affiliated entities or their employees are engaging in their own financial activity. While WellsCap seeks to manage these conflicts by strict application of its Code provisions and policy requirements, the following situations may arise that could create an actual or perceived conflict of interest:

WFC Affiliation. WellsCap is a subsidiary of Wells Fargo Bank and Wells Fargo & Company, a diversified financial services firm. Wells Fargo Corporation includes many different business activities, and each of the entities that conduct these activities can be considered an affiliate of WellsCap. As a result of this relationship, these other entities may each be a “related person” of WellsCap under applicable securities regulations, and their activity must be considered. In particular, some of these entities may engage in their own trading involving the same securities that WellsCap manages on your behalf. This means that while WellsCap is managing its fiduciary duties to you, other entities within Wells Fargo may be engaging in transactions that could create a conflict; for example, they may be selling the same security that WellsCap may be purchasing for you. In addition, these related persons may be recommending to their own clients the buying or selling of securities in which you have a material financial interest. In some instances it is even possible that you also have a client relationship yourself with one or more of these entities, and your securities transactions may appear conflicted. With limited exceptions described below, these transactions by related persons are independent of WellsCap and are outside of the course and scope of WellsCap’s





investment advisory services. However, In order to manage these potential conflicts, WellsCap maintains a variety of policies to maintain effective business barriers and manage the confidentiality of its own information and activities, as described further below.

Brokerage Transactions with Affiliates. WellsCap has multiple broker dealers affiliated with its parent, Wells Fargo Bank. In order to limit any potential conflicts of interests when engaging in investment transactions on behalf of its clients, WellsCap restricts any trade execution with broker dealers affiliated with Wells Fargo (i.e., those broker dealers that are wholly-owned, indirect subsidiaries of Wells Fargo & Company). WellsCap does not participate in client transactions as a broker or a dealer in securities and does not operate as a broker or a dealer in effectuating securities transactions for compensation for any client. This means that in all instances in which WellsCap transacts in a security on your behalf the transaction is effectuated using an independent third-party broker dealer. While this policy to restrict trading through affiliated broker-dealers limits the potential conflict of interest, WellsCap may be limited in its ability to engage in certain securities transactions and to take advantage of market opportunities, as discussed elsewhere in this brochure regarding the best execution of transactions.

Independent Activity by Wells Fargo Bank and Affiliates. WellsCap believes that related persons within the Wells Fargo and Company organization may from time to time recommend securities, proprietary products and/or services to WellsCap's clients. To the extent such "recommendations" are made, they are made outside the WellsCap investment advisory context.

For new security offerings or existing securities Wells Fargo Bank may act in an agency or principal capacity, including but not limited to acting as a bond trustee, paying agent, note registrar, loan servicer, syndicate co-manager, originator of an MBS, ABS or CMBS asset pool, remarketing agent, or lender in a bank loan syndicate (e.g., sales of pooled or packaged asset-backed securities). Wells Fargo may also participate in the underwriting syndicate. WellsCap may from time to time purchase securities in a securities offering or underwriting in which Wells Fargo may have a financial interest in the outcome of the offering or syndication to the extent permitted by applicable law. In such case, WellsCap and Wells Fargo follow the requirements and constraints of Regulation W of the Federal Reserve Act, Section 10(f) of the Investment Company Act of 1940, and ERISA rules where applicable. Should WellsCap inadvertently purchase securities in violation of these



rules, the purchase will be deemed a trade error and WellsCap will make the client whole for any losses suffered in connection with the unauthorized transaction.

WellsCap may from time to time purchase existing securities in which Wells Fargo may have a financial interest. However, with limited exceptions such purchases are only permitted where Wells Fargo is acting in an agency capacity on behalf of a separate issuer (e.g., as bond trustee), as opposed to purchases of securities issued by Wells Fargo directly.

While it is generally not consistent with WellsCap policy to purchase securities issued directly by Wells Fargo (WFC), from time to time WellsCap accounts may hold publicly traded securities issued directly by Wells Fargo or its affiliates for various reasons, including but not limited to: 1) transferred accounts; 2) approved exceptions consistent with regulatory prohibitions and client requests; 3) money funds issued by the Wells Fargo Advantage Funds; 4) index funds mandates; or, 5) positions resulting from the merger with Wachovia. Provided that the securities were purchased when it was initially appropriate to do so, WellsCap may continue to hold such positions on behalf of clients in its discretion until it is prudent to dispose of them in the ordinary course of business.

Participation by WellsCap in Client Securities Transactions. With three exceptions noted below, WellsCap does not buy or sell for itself securities that it would recommend to clients:

1) WellsCap advises the Thirty-Eight Hundred Fund, LLC, a registered closed-end investment company in which Wells Fargo invests as a principal shareholder. As adviser to the Thirty-Eight Hundred Fund, LLC, WellsCap engages in strict conflicts management activities with respect to the fund's portfolio activities. This includes a prohibition on any cross trading with any other account advised by WellsCap. Two of the portfolio managers for the fund serve as employees of WellsCap and Wells Fargo. As supervised persons of WellsCap, these employees are subject to applicable WellsCap policies and procedures including conflicts management policies described below such as WellsCap's Code of Ethics (and certain restrictions on personal trading activity described therein) and firewall policies prohibiting the receipt or use from or through WellsCap of any material non-public information that may otherwise be available to certain other WellsCap employees.

2) In order to limit personal securities transactions, certain employees, generally semi-retired or "Emeritus" status employees, may open accounts that mirror a



managed strategy or a combination of managed strategies. In such case, trades are made on a pro-rata basis relative to the managed strategy. WellsCap treats and discloses these as proprietary accounts, though WellsCap does not have any

ownership of these accounts and the employee serves as the only beneficial owner of the account. Because these are deemed proprietary accounts, the accounts are not permitted to participate in any IPO transactions and may not participate in cross trade activities. Moreover, trading in the accounts must be identical, in terms of percentage, to the trades conducted in the managed accounts. The accounts may not identically mirror the managed accounts as not all securities in the managed accounts were initially acquired by the proprietary Emeritus accounts. Over time, the accounts should be identical (with the exception of securities purchased for the managed accounts in which the Emeritus Proprietary account could not participate).

3) WellsCap investment professionals and other employees may and do invest in the funds/strategies that they manage. In no case does an employee's investment exceed five percent of fund holdings. WellsCap portfolio managers disclose on an annual basis their holdings in their funds, their interests in other investments, and the number of accounts they manage, either for themselves or for client accounts. WellsCap has no financial interest in any securities or investment products.

#### OTHER POTENTIAL CLIENT INVESTMENT CONCERNS AND INVESTMENT CONFLICTS

The investment identification, selection and management process may create potential or actual conflicts for WellsCap and its clients, including:

- Certain types of investments such as mutual funds and ETF's may involve embedded management fees or other fees and expenses, which may in turn be passed indirectly to WellsCap clients;
- Certain types of investments may involve leverage or derivative-styled exposure to underlying or reference securities, which may affect risk profiles and raise regulatory implications for certain types of clients;
- Some investments may be created, managed, or issued by entities that may engage in social, economic, commercial, or political activities that could be deemed objectionable or questionable by certain clients;
- Some investments may only be available to clients who meet certain investor standards, such as qualified institutional buyer (QIB) or qualified purchaser status, or who may otherwise have considerations or restrictions with respect to investments in private or unregistered transactions or in



transactions regulated by the federal government or state law (e.g., Native American gaming);

- Some investments (either directly, or due to the nature of underlying component assets or derivative structures) may involve actual or perceived liquidity constraints that could adversely impact pricing determinations, valuation methodologies, transparency and review of asset composition, and/or the actual marketability and sale of the investment; and,
- The purchase and/or management of some investments may involve credit analysis based in whole or in part on information that may not be readily available to the public (e.g., material, non-public information), and that may cause the client to become restricted in trading public securities of that issuer so long as such information remains material and non-public.

To minimize any potential client investment conflicts, WellsCap manages its advisory services, fee structure, and investment selection process in accordance with pre-established client investment guidelines, the advisory contract with the client, and all applicable policies and procedures pursuant to Rule 206(4)-7 of the Advisers Act. WellsCap also maintains a Code of Ethics, firewall procedures and other information barriers to ensure the confidentiality of investment activity for each WellsCap client in compliance with applicable law. Additional actual or potential client investment conflicts and concerns may include:

Purchase of Client Securities. From time to time WellsCap may purchase publicly traded securities of issuers who are also advisory clients of WellsCap. In these circumstances, WellsCap monitors its position and limits size to percentages that are consistent with existing benchmarks or other investment protection principles, and in keeping with the objectives of the applicable advisory strategy. Client investment guidelines and advisory contracts may also limit in whole or in part the purchase of related securities.

Trade Allocation. WellsCap has adopted trade allocation policies and compliance procedures to manage the potential conflicts of interest in the allocation of limited investment opportunities. WellsCap may engage in transactions in the same security or securities on behalf of a group of accounts, and may execute trades separately or on an aggregated basis when WellsCap reasonably believes that such execution may result in an economic benefit for the account(s). Generally, aggregated trades are allocated proportionately among accounts at or near the time



of trade execution per these trade allocation policies, but WellsCap does not maintain a rule that all trades must be allocated pro rata. WellsCap's objective is to ensure that over time, no advisory account may be favored over any other advisory

account as to any available investment for reasons outside of the client's investment guidelines and applicable law.

In allocating trades among accounts, WellsCap may consider certain factors including: each account's investment objective(s) and risk exposure; restrictions and investment guidelines; available cash and ongoing liquidity needs; existing holdings of similar securities; and, correlation and deviation to any relevant model portfolio(s). In addition, investment opportunities within a strategy may be allocated either based on an individual security or groupings of similar securities, subject to investment guidelines and overall risk targets. Thus, similar advisory accounts will generally receive allocations based upon relative market values within each account's target asset class allocation and/or investment strategy. However, WellsCap sometimes reallocates trades on a non-pro rata basis if necessary to rebalance portfolios that have experienced cash flows or to address other general account management issues (e.g., avoidance of odd lots). Moreover, if a block order is not completed for WellsCap in its entirety, partial fills will be allocated proportionately by WellsCap, though minimum size and odd lot restrictions will affect the distribution, potentially resulting in an allocation that is not pro rata. As a result, one account may receive a price for a particular transaction that is different from the price received by another account for a similar transaction on the same day.

Cross Trading. WellsCap may engage in "cross-trade" transactions on particular investments between client accounts only where client accounts are crossed to provide liquidity and avoid brokerage fees. No commissions are paid by the client in these types of cross-trade transactions. The prices for the investments in these cross-trade transactions are determined according to firm-established procedures following Rule 17a-7 under the Investment Company Act of 1940, the ERISA Pension Protection Act of 2006, and as permitted by specific client guidelines. While in many situations it is advantageous to clients that WellsCap effect "cross-trade" transactions between accounts, WellsCap seeks to achieve best qualitative and quantitative execution on each trade. As a result, WellsCap may find that exposing transactions to the market instead of cross trading may result in best execution. Additional factors considered in determining how to effect a trade where WellsCap clients have interests on each side of the trade include whether an independent



(unaffiliated) broker: (i) provides deeply discounted fees for the trade, including any residual shares; (ii) provides certainty of time/price; and, (iii) exposes the trade to the market for consideration and price reporting. Individual investment

managers or their traders will make the determination whether to engage in cross trade transactions based on their knowledge of the market, liquidity, and potential cost savings.

Equity IPO Participation and Allocation. WellsCap may invest for a client from time to time in securities being offered in an initial or secondary equity public offering ("IPO Deal") when the investment is deemed to be appropriate and desirable for the client. Portfolio managers take into consideration the following factors for purchasing an IPO Deal:

- Client investment objectives;
- Client investment guidelines;
- Existing portfolio holdings;
- Cash availability;
- Asset allocation; and,
- Investment merits of the IPO Deal.

Under WellsCap's Equity Deal Allocation Policy, allocations are made available among clients on a pro-rata basis within either an indicated long-term hold strategy or a short-term strategy. No more than 20 percent of the total IPO Deal may be allocated among short-term holders, who are entitled to sell at any time after the IPO Deal is priced. In order to qualify for an allotment based upon a long-term hold strategy, the securities must be retained within the indicated accounts for the earlier of 30 days or until the security has appreciated 35 percent. Once the long-term hold criteria have been met, the long-term holder may sell the security, although the early selling of a security may be justified in certain instances (for example, when the price of a security declines 5 percent or more). Circumstances may arise where an investment team may seek relief from a long-term hold strategy on a case-by-case basis; only the Chief Investment Officer or designee may allow deviation from the Equity Deal Allocation Policy in the interest of protecting investor interests.

WellsCap's policy for allocating IPO Deal investment opportunities is designed to ensure that all clients are treated fairly and equitably over time. However, because the policy is based on a minimum allocation size of 50 shares, and because



situations may arise involving the allocation and balancing of existing account positions and cash, in certain instances some accounts may not participate in IPO Deal allocations on a direct pro-rata basis.

Client Account Privacy. WellsCap complies with all applicable privacy regulations and has created policies regarding the collection and disclosure of information about WellsCap's clients considered to be non-public personal information. Although these policies are designed to protect client confidentiality and non-public personal information, WellsCap reserves the right to disclose such information where it believes in good faith that it may be required or permitted to do so by law, or in circumstances related to the servicing of client accounts where WellsCap has retained affiliated or non-affiliated third parties who may be permitted to use such information solely to provide the service or as otherwise permitted by law.

WellsCap may also disclose anonymous information identifying portfolio holdings that are representative of a particular strategy when WellsCap is engaged in a review or modeling of its strategies with third parties.





## Item 12 – Brokerage Practices

WellsCap generally determines the broker through whom securities transactions are to be affected. In selecting brokers for a portfolio transaction, WellsCap considers, without limitation, the overall direct net economic results to an account, including both price paid or received and any commissions and other costs paid, the efficiency with which the transaction is effected, the ability to effect the transaction at all where a large block is involved, the availability of the broker to stand ready to execute possibly difficult transactions in the future, responsiveness to WellsCap, and the financial strength and stability of the broker.

### BEST EXECUTION

WellsCap has adopted policies and procedures aimed at satisfying its fiduciary duty to seek the most favorable execution terms reasonably available given the specific circumstances of each trade ("best execution"). In order to seek to achieve best execution, WellsCap requires portfolio managers or their traders to create competitive bid/offer situations by contacting brokers. The portfolio manager or trader also researches the security for its suitability, relative value and optimal price, in addition to researching which broker/dealer(s) may be in the best position to provide the best price. With the evolution of electronic trading platforms, portfolio managers and traders are more able to request bids and offers from multiple broker/dealers. In the exercise of their business judgment, WellsCap may only contact one broker under conditions noted by policy. WellsCap considers, *inter alia*, the following factors for obtaining best execution; each factor, in and of itself, is not construed as a definitive factor:

- Broker-dealer's historic trade performance with WellsCap;
- Efficiency of the broker's back-office operations;
- Broker's ability to provide liquidity and make a "market" for certain securities, including capital commitment and execution platforms which may impose additional mark-ups;
- Broker's sharing of research with WellsCap;
- Whether the broker-dealer offers diverse resources, such as qualifying as an established women or minority-owned firm; and,
- If applicable, the broker's ability to facilitate "step-out" trades.

WellsCap does not use the trading facilities of any of its affiliated broker dealers.





The actual allocation of brokerage business may vary from year to year, depending on WellsCap's evaluations of all applicable considerations. In no case will WellsCap make binding commitments as to the level of brokerage commissions it will allocate to a broker, nor will it commit to pay cash if an informal target is not met.

Research. WellsCap evaluates the amount and nature of research and research services provided by brokers and attempts to allocate a portion of the brokerage business of its clients on the basis of that consideration. When WellsCap uses client brokerage commissions (or markups or markdowns) to obtain research or other products and services, WellsCap benefits because it does not have to pay for the research, products or services. WellsCap may have an incentive to select a broker-dealer based on its interest in receiving research or other products and services. Subject to the criteria of Section 28(e) of the Securities and Exchange Act of 1934 ("Section 28(e)"), WellsCap may pay a broker a brokerage commission in excess of that which another broker might have charged for effecting the same transaction, in recognition of the value of the brokerage and research services provided by or through the broker. WellsCap believes it is important to its investment decision making process to have access to independent research.

Research furnished by brokers may be used to service any or all of WellsCap's clients and may be used in connection with accounts other than those transacting with the broker providing the research, as permitted by Section 28(e). Brokerage and research services provided by brokers may include, among other things, effecting securities transactions and performing services incidental thereto (such as clearance, settlement, and custody), and providing information regarding: the economy; industries; sectors of securities; individual companies; statistical information; taxation; political developments; legal developments; technical market action; pricing and appraisal services; credit analysis; risk measurement analysis and performance analysis. Such research services are received primarily in the form of written reports, telephone contacts and personal meetings with security analysts. In addition, research services may be provided in the form of access to various computer-generated data, computer hardware and software, and meetings arranged with corporate and industry spokespersons, economists and government representatives.



Research payments may be made through traditional soft dollar payments to third parties, paid through bundled commission arrangements with full service brokers or through client commission arrangements (CCA's). Commission sharing

arrangements enable WellsCap to separate the execution decision from the research decision. Providers of CSAs have designed programs that allow WellsCap the flexibility to conduct best execution while simultaneously pooling commissions to compensate both research firms and other service providers that are eligible to be paid by commissions under 28(e). WellsCap determines in good faith that the commission rates paid for client commission dollar arrangements are reasonable in relation to the value of the brokerage and research provided. In certain situations, trades may be directed to brokers who refer clients to, or have their own accounts managed by, WellsCap.

In addition, WellsCap maintains an Expert Network Policy in order to help mitigate the potential insider trading liability when engaging expert networks. The policy details internal controls to insulate WellsCap from the potential trading risks associated with using experts. Please see the Expert Network Policy for more details.

Directed Brokerage. WellsCap will accept direction from clients regarding the brokers to be used for their account. Clients may have existing arrangements permitting them to offset certain administration, accounting, custody, consultant or other fees in relation to the amount of brokerage transactions handled by a specific broker. At the same time, WellsCap and/or related entities may have arrangements to receive investment related research products or services provided by the same intermediary, which are separate from the arrangement negotiated by the client. Nevertheless, in following the client's direction to use a particular broker to execute either all or part of the brokerage transactions from their accounts, clients must be aware that, in so doing, they may adversely affect our ability to, among other things, obtain, investment related research, volume discounts on bunched orders and/or seek to achieve best execution.

When effecting bunched orders, WellsCap attempts to include transactions of clients who have directed the use of a particular broker in the bunched order. In such transactions the executing broker must agree to transfer that portion of a bunched order relating to a client who has directed the use of a particular broker to the broker specified by the client. If the executing broker does not agree to make this transfer, the order for the same security on behalf of a client who has directed the



use of a particular broker will be effected through the specified broker, and the cost of the transaction may be greater. Orders for directed brokerage accounts are executed after each order for discretionary accounts are completed, unless the directed broker allows for step-outs to a broker used by WellsCap. Wrap accounts are considered directed brokerage accounts. WellsCap may also restrict directed accounts from participating in IPOs where the issuing broker is not the broker to whom the client directs trading.

Trade Aggregation and Allocation. WellsCap seeks, but is not obligated, to bunch orders for the purchase or sale of the same security for client accounts where WellsCap deems this to be appropriate and in the best interests of the accounts, consistent with applicable regulatory requirements. When a bunched order is filled in its entirety, each participating client account will participate at the average share prices for the bunched order on the same business day, and the transaction costs shall be shared pro-rata based on each client's participation in the bunched order. When a bunched order is only partially filled, the securities purchased will be allocated on a pro-rata basis to each account participating in the bunched order based upon the initial amount requested for the account, subject to certain exceptions (such as de minimis orders) and each participating account will participate at the average share prices for the bunched order on the same business day. WellsCap performs investment advisory services for various clients and may give advice, and take action, with respect to any of those which may differ from the advice given, or the timing or nature of action taken, with respect to any one account, provided that over a period of time WellsCap, to the extent practical, allocates investment opportunities to each account on a fair and equitable basis relative to other similarly situated client accounts.

Cross-Transactions. To reduce transaction costs and promote trading efficiency for mutual fund clients, WellsCap may engage in inter-account transactions consistent with procedures adopted pursuant to Rule 17a-7 under the Investment Company Act of 1940. Where appropriate, WellsCap may engage in inter-account or cross-transactions with eligible advisory accounts and will comply with the applicable disclosure and consent requirements associated with such transactions under the Investment Advisors Act of 1940.



### **Item 13 – Review of Accounts**

A portfolio management team with extensive experience is assigned to each account and is responsible for monitoring and maintaining compliance with client-specific guidelines. Formal reviews are performed at least annually and include client portfolio structure, strategies, adherence to client investment policy and guidelines, and benchmarks. Portfolio advisors and investment risk personnel, including the Chief Investment Officer may also perform more frequent informal reviews on an ongoing basis that include market conditions, portfolio holdings and transactions, cash flows and account performance.

Written account and performance reviews are offered to most clients on a quarterly basis. More-frequent reports may be provided upon request.

Additional compliance procedures are in place to review portfolio and account activity for conformity with client investment guidelines, best execution, use of derivatives, and other considerations. As part of the monitoring process WellsCap compliance utilizes two compliance and trade order systems, Bloomberg and Charles River Development (CRD), to provide automated compliance review on a daily basis. Alerts on these systems are monitored by compliance personnel, and any warnings are researched and cleared in a timely manner.



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

WellsCap does not enter into agreements with or make commitments to broker-dealers under which WellsCap is obligated to compensate broker-dealers for client referrals. However, for clients other than those covered by ERISA, when WellsCap believes that a broker-dealer who has referred clients to WellsCap is capable of providing the best price services and overall execution as to a particular portfolio transaction, considering all the factors described herein, WellsCap may select that broker-dealer in recognition of the broker-dealer's referrals or possible future referrals. In doing so, except where specifically disclosed to client, WellsCap will not pay higher commissions than would otherwise be payable to another broker-dealer.

Certain designated persons will act as advisory representatives of WellsCap. These persons may be institutional account representatives of affiliates of the firm and may offer advice or opinions as to the value of WellsCap's services or the appropriateness of such services for a potential client. Compensation will be provided to these persons by way of salaries and bonuses through the WellsCap's affiliate of which the designated person is employed.

WellsCap may also compensate third parties for advisory client referrals. Under this arrangement, WellsCap would pay a portion of the referred client's management fee earned by WellsCap to the referring party. The referral fee will be borne solely by WellsCap and not the referred client. Currently, WellsCap does not maintain domestic third-party solicitor agreements. Should it engage in this practice in the future, WellsCap will ensure the arrangements are in compliance with Rule 206(4)-3 of the Investment Advisers Act of 1940.

WellsCap may also permit certain designated persons (referred to as "Solicitors") to refer potential business outside of the United States to WellsCap. Any solicitor will be required to conduct solicitation functions in accordance with the laws of the country in which such solicitation is made. Payments to Solicitors may range, depending on the type of investment vehicle.

The investment management services of WellsCap are also offered to clients of Wells Fargo & Company. The distribution of investment products and services in conjunction with this platform is dependent on interrelationships among WellsCap, its affiliates, and other entities in support of these activities. There exist certain



potential or actual conflicts of interest within these interrelationships, which may or may not be readily apparent to an investor. In particular, WellsCap's parent and affiliated subsidiaries may enter into marketing or sponsorship arrangements with third parties, sub advisors and brokerage firms to promote the distribution of proprietary investment products including, but not limited to, variable products, mutual funds, managed accounts or the general enhancement of the "Wells" marketing image. Such parties, subadvisors, and brokerage firms may concurrently have advisory, distribution, or other relationships with WellsCap. These arrangements may or may not necessarily result in additional assets under management to WellsCap or inure to the direct or indirect benefit of clients of the firm.

#### REVENUE SHARING FOR WELLSCAP REFERRALS

Wells Fargo & Company may compensate WellsCap for client referrals to other affiliate businesses within Wells Fargo under a revenue sharing program. This compensation to WellsCap would be indirect and may be based upon the aggregate amount of WellsCap's assets under management and not the client's assets invested with WellsCap.

#### REVENUE FOR WELLSCAP RESEARCH

Wells Fargo & Company may compensate WellsCap for proprietary research created by WellsCap and provided to affiliate businesses within Wells Fargo. The research consists of newsletter information prepared by WellsCap's Chief Investment Strategist James Paulsen. Wells Fargo reimburses WellsCap for the preparation fees related to the newsletter, and may distribute the information to external clients.



## Item 15 – Custody

Clients should receive account statements from their bank, broker dealer or other qualified custodian, in addition to the account statement that they may receive from WellsCap. We urge clients to carefully review both account statements and compare official custodial records to the account statements provided by WellsCap.

WellsCap's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

WellsCap, itself, may be defined as a custodian under Rule 206(4)-2 of the Investment Adviser's Act of 1940. The Act defines "custody" as "holding directly or indirectly client funds or securities or having the authority to obtain possession of them." Under the strict reading of this definition, WellsCap may be considered to have custody of its clients' accounts when WellsCap has the *ability* to hold securities or cash (either directly or indirectly). Other examples include situations where WellsCap receives checks made out to WellsCap or checks and/or cash items that it does not forward to the custodian within 72 hours of receipt; or where Wells Fargo Bank, N.A. is the designated custodian and WellsCap performs certain administrative tasks incidental to the account. At account opening, for example, WellsCap clients may select Wells Fargo Bank, N.A. as its custodian. For this purpose, WellsCap maintains client administrators who serve as dual employees of WellsCap and Wells Fargo Bank in order to facilitate the administrative custodial functions for those clients who choose Wells Fargo Bank as its custodian. As such, the client administrators conduct duties related to custody of assets as an employee of Wells Fargo Bank and conduct other account opening and maintenance duties as an employee of WellsCap. WellsCap clients may also select other third-party financial institutions as its custodian.

For those clients who choose Wells Fargo Bank to serve as their custodian, an account statement is generated no less than quarterly and delivered to each client by Wells Fargo Bank.



## **Item 16 – Investment Discretion**

### DISCRETIONARY AUTHORITY

Absent instructions to the contrary from the client, WellsCap has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, amount of securities to be bought or sold, broker or dealer to be used, and commission rates paid. Generally, WellsCap's clients grant it full discretionary authority over securities purchases and sales, subject to investment objectives and guidelines that are established by agreement between WellsCap and the client at the time the account is opened. WellsCap may select brokers or dealers that provide research or other transaction-related services and may cause a client to pay such broker-dealer commissions for effecting transaction in excess of commissions other broker-dealers may have charged. WellsCap will consider the full range and quality of a broker's or dealer's services, including, among other things, the value of research provided, execution capability, commission rate, financial responsibility, market making capabilities, efficiency, confidentiality, responsiveness and other factors it deems appropriate.

For registered investment companies sub-advised by WellsCap, the respective Board of Directors, Managers or Trustees of such companies establish guidelines and restrictions which WellsCap complies with in respect to investment strategies that include the type of securities to be bought and sold. Such guidelines can be found in each fund's prospectus.





## **Item 17 – Voting Client Securities (i.e., Proxy Voting)**

Where WellsCap is responsible to vote proxies for a client, it has adopted policies and procedures in an effort to ensure that votes are cast in the best interests of its clients and that proper documentation is maintained relating to how proxies were voted. WellsCap's basic policies and procedures are as follows:

WellsCap has adopted pre-determined proxy voting guidelines (the "Guidelines") to make every effort to ensure the manner in which shares are voted is in the best interest of clients and the value of the investment. Under the Guidelines, WellsCap may delegate to a non-affiliated third party vendor, the responsibility to review proxy proposals and make voting recommendations on behalf of WellsCap.

WellsCap may also vote a proxy contrary to the Guidelines if it determines that such action is in the best interest of the shareholders. WellsCap believes that, in most instances, any material conflicts of interest will be minimized through a strict and objective application of the voting guidelines. In addition, the Proxy Administrator will seek to avoid any undue influence as a result of any material conflict of interest that exists between the interest of a client and WellsCap or any of its affiliates. The method selected by WellsCap will depend on the facts and circumstances of each situation and the requirements of applicable law. The method selected by WellsCap may also conflict with the interest of the client in voting their securities.

WellsCap may choose not to vote proxies in certain situations or for certain accounts, such as: (1) where a client has informed the firm that it wishes to retain the right to vote the proxy, the firm will instruct the custodian to send the proxy material directly to the client; (2) where the firm deems the cost of voting would exceed any anticipated benefit to the client; (3) where a proxy is received for a client account that has been terminated with the firm; (4) where a proxy is received for a security the firm no longer manages (i.e. the firm had previously sold the entire position), and/or; (5) where the exercise of voting rights could restrict the ability of an account's portfolio manager to freely trade the security in question.

If you are a client of WellsCap and you would like to find out how your proxies have been voted or you would like a complete copy of WellsCap's current Proxy Voting Policies, Procedures and Guidelines, please send a written request to:



Wells Capital Management  
Attention: Compliance Department/Nobuko Nagata  
525 Market Street, 10<sup>th</sup> Floor  
San Francisco, CA 94105

Email requests may be sent to: [nobuko.nagata@wellscap.com](mailto:nobuko.nagata@wellscap.com)



## **Item 18 – Financial Information**

As a wholly owned subsidiary of Wells Fargo Bank, WellsCap's financial statements are consolidated with those of the parent company. There has been no material adverse change in the financial condition of WellsCap since the date of the financial statements provided in our parent firm's most recent Form 10-Q.