

**ITEM 1. COVER PAGE**

**FORM ADV BROCHURE**

**PART 2A**

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December 20, 2011

**IMPORTANT DISCLOSURE:**

This brochure provides information about the qualifications and business practices of Standard & Poor's Investment Advisory Services LLC ("SPIAS"), an investment adviser registered with the United States Securities and Exchange Commission ("SEC"). If you have any questions about the contents of this brochure, please contact us at (212) 438-2000 or send an email to: [spias@standardandpoors.com](mailto:spias@standardandpoors.com). Registration with the SEC does not imply that SPIAS or its directors, officers, employees or representatives possess a certain level of skill or training. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

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

## ITEM 2. MATERIAL CHANGES

This brochure is dated December 20, 2011. This brochure contains material changes to the disclosure SPIAS provided in its last annual updated of this brochure dated March 29, 2011. These changes include:

- Revised fee information for SPIAS' sub-advisory services for registered open-end investment companies was added to Item 6 on page 12.
- Disclosure was added about SPIAS' provision of equity research reports, access to S&P Capital IQ's equity analysts and SPIAS' Valuation Risk Strategies Risk-to-Price model portfolio under Item 4.C. "Advisory Business." Fee information was added under Item 5 "Fees and Expenses" on page 4 relating to these services, along with a fee schedule relating to the equity research services on page 13 (October 19, 2011 amendment).
- Disclosure was added to Item 10 "Other Financial Industry Activities and Affiliations" at page 23 about SPIAS use of persons associated with McGraw-Hill Financial Research Europe Limited who will become associated persons of SPIAS when they provide advice to SPIAS' U.S. clients (October 19, 2011 amendment).
- Disclosure was added to Item 4. A under: "Advisory Business" on page 4 to coincide with a new branding program (September 15, 2011 amendment).
- Additional risk disclosure was added to Item 8.B under "Risks Associated with SPIAS' Methods of Analysis and Investment Strategies -- *Model portfolios and/or STARS rankings may be subject to these additional risks*" on pages 17-18 (May 24, 2011 amendment).

Please note that the above summary addresses only changes that SPIAS has determined to be material and therefore, does not reflect all of the changes that have been made to this brochure since the last annual amendment dated March 29, 2011 was distributed to clients.

### ITEM 3. TABLE OF CONTENTS

ITEM 1. COVER PAGE.....	1
ITEM 2. MATERIAL CHANGES .....	2
ITEM 3. TABLE OF CONTENTS .....	3
ITEM 4. ADVISORY BUSINESS .....	4
ITEM 5. FEES AND COMPENSATION .....	10
ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	14
ITEM 7. TYPES OF CLIENTS .....	15
ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....	16
ITEM 9. DISCIPLINARY INFORMATION .....	22
ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	23
ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....	26
ITEM 12. BROKERAGE PRACTICES.....	28
ITEM 13. REVIEW OF ACCOUNTS.....	29
ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION .....	30
ITEM 15. CUSTODY .....	31
ITEM 16. INVESTMENT DISCRETION .....	32
ITEM 17. VOTING CLIENT SECURITIES.....	33
ITEM 18. FINANCIAL INFORMATION .....	34

## ITEM 4. ADVISORY BUSINESS

### A. Advisory Firm

SPIAS is a Delaware limited liability corporation that has been providing advisory services for over 15 years. SPIAS is a wholly-owned subsidiary of The McGraw-Hill Companies, Inc., a New York Stock Exchange listed company. The McGraw-Hill Companies is comprised of four operating segments: (i) McGraw-Hill Education; (ii) Information & Media; (iii) Standard & Poor's; and (iv) McGraw-Hill Financial. SPIAS is a part of the McGraw-Hill Financial business segment. McGraw-Hill Financial operates under two separate brands: S&P Capital IQ and S&P Indices. SPIAS is part of the S&P Capital IQ brand.

### B. Specialization

SPIAS does not specialize in a particular type of advisory service.

### C. Advisory Services

#### Summary of Advisory Services

SPIAS provides investment services on a non-discretionary basis. While SPIAS' advisory services primarily focus on equity securities and mutual funds, SPIAS also offers fixed income advisory services. SPIAS' advisory services are provided directly to other institutions that may choose to use such advice for their own underlying clients and investors. SPIAS' advisory services may include the following types of services individually or in combination:

1. asset allocation strategies;
2. fund selection services;
3. multi-manager strategies;
4. equity strategies;
5. fixed income strategies;
6. advisory consulting services to investment managers of investment funds other than registered open-end investment companies;
7. sub-advisory services for registered open-end investment companies;
8. fund classification;
9. model questionnaires, and
10. equity research reports and other related research services.

SPIAS' advisory services are offered to broker-dealers, investment advisers, registered open-end mutual funds, unit investment trusts and other financial institutions. SPIAS' investment advisory services may be used by clients in assisting them in advising their clients, which may include retail clients or institutional clients. SPIAS also provides advisory consulting services to institutional clients and

investment managers of investment funds otherwise known as “manager of manager” funds and investment sub-advisory services for registered investment companies, including open-end mutual funds and offshore funds. SPIAS also provides customized services tailored to a client’s particular needs. SPIAS does not generally provide its advisory services directly to retail clients but its services may be used by its clients in advising their own underlying clients, which may include retail clients. SPIAS does not acknowledge in any agreement that it acts as “fiduciary” or as an “investment manager”, as defined under The Employment Retirement Income Security Act (ERISA), to any client.

SPIAS also provides certain non-advisory services and products as follows:

1. narrative descriptions of models; and
2. marketing assistance, which may include some or all of the following: (i) assisting in the preparation of marketing materials; (ii) participating in presentations; and (iii) explaining a SPIAS or S&P Capital IQ’s proprietary methodology. S&P Capital IQ’s proprietary methodologies include S&P Stock Appreciation Ranking System (STARS), Earnings and Dividend Ranking System (Quality Rankings) and Fair Value Rankings.

### **Advisory Services to Affiliates**

SPIAS also provides research and other advisory services to its affiliates, including McGraw-Hill Financial’s other businesses. These affiliates may incorporate this information into products and services that they provide to their clients, including S&P Capital IQ’s research reports.

SPIAS provides certain affiliates’ products and services to its clients, along with advisory services it provides them. The fee charged to clients may cover products offered by S&P Capital IQ and other affiliates of SPIAS, such as S&P Capital IQ’s research reports on stocks or clients may pay additional fees to SPIAS or an affiliate for these products. Clients may be required to enter into a separate license agreement with Standard & Poor’s Financial Services LLC (S&P FS), an affiliate of SPIAS, which maintains, updates, distributes and owns rights in and to STARS and other research products.

### **Detailed Descriptions of Advisory Services**

#### ***1) Primary Advisory Services***

- (i) **Asset Allocation Strategies.** SPIAS develops asset allocation models, which may be at the asset class or economic sector level based on available investments. Such asset allocation models, which are customized to clients’ needs, investment objectives and restrictions, are developed based on modern portfolio theory. SPIAS uses both quantitative and qualitative factors in working with clients to develop the client’s allocation strategies and models.
- (ii) **Fund Selection Services.** SPIAS offers both quantitative and qualitative analysis of mutual funds and ETFs for separately managed accounts and insurance sub-accounts. SPIAS may provide advice on narrowing universes of funds into smaller sub-groupings of funds or ranking of a list of funds. SPIAS also provides advice and recommendations on a fund’s perceived investment prospects over a specified time horizon. As part of the service, SPIAS may prepare periodic reports that describe the performance of a group of portfolios. These reports, which are based on a series of performance statistics covering return, risk, style and style consistency, may be supplemented with periodic telephone conferences or meetings with clients.

- (iii) Multi-Manager Strategies. SPIAS also provides multi-manager strategies, which consist of recommended asset allocations and investments to fulfill each asset class in the allocation. Multi-manager model portfolios may be designed to target specific risk/return objectives, investment goals (e.g., income or capital appreciation), or investment time horizon (e.g., target date). Investment recommendations may include a combination of mutual funds, ETFs, insurance sub-accounts, model portfolios of equity securities, and/or separately managed accounts. SPIAS can act as a non-discretionary sub-adviser for multi-manager portfolios. SPIAS also monitors and reviews the performance of the model portfolios on a regular basis (e.g., daily, weekly, monthly or other frequency) and, as necessary, reallocates and/or recommends changes to the recommended asset allocation, securities, and/or substitute securities used in the model portfolios.

Also, SPIAS may recommend other investment advisers who can implement an investment strategy to meet a client's investment goals and objectives. Prior to recommending an investment adviser to a client, SPIAS reviews an investment adviser's past performance, style and investment philosophy. The goal of this service is to provide a list of recommended investment managers from which a client can select the firm that best meets the client's needs in advising their own clients.

- (iv) Equity Strategies. SPIAS provides stock portfolio services, including services such as providing model stock portfolios, developing preferred stock lists that meet selection criteria, and acting as a non-discretionary sub-advisor for equity portfolios. In creating model stock portfolios and stock portfolio strategies, SPIAS utilizes Standard & Poor's proprietary data and research tools, including S&P Capital IQ's STock Appreciation Ranking System (STARS), S&P Capital IQ's Earnings and Dividend Ranking System (Quality Rankings), and S&P Capital IQ's Fair Value Rankings. Model portfolio composition and portfolio strategies can be driven by quantitative models or fundamental research, or combinations of both. SPIAS' model portfolios that are driven by quantitative models may be subject to a qualitative overlay. When necessary, SPIAS, after reviewing all related information and criteria, may recommend changes to model portfolios and underlying investments for these portfolios.
- (v) Fixed Income Strategies. SPIAS offers a fixed income model portfolio by primarily selecting U.S. and European investment grade and high yield fixed income securities. In creating a fixed income model portfolio, SPIAS' security selection process will use analytical tools and analysis, including Standard & Poor's Securities Evaluations, Inc.'s (SPSE) Risk-to-Price (R2P) as a screening tool to assist it in the security selection process. Model portfolio composition and portfolio strategies can be driven by SPIAS' use of quantitative models, hedging techniques and the use of analytical tools such as R2P and other screening tools to measure a security's creditworthiness, risk and probability of default. SPIAS does not compensate SPSE for using R2P in its advisory business.

2) *Advisory consulting services to investment managers of investment funds other than those described in "Sub-advisory services for registered open-end investment companies".*

SPIAS also provides its investment advisory consulting services to investment managers of investment funds in addition to those described in "Sub-advisory services for registered open-end investment companies" (e.g., unit investment trusts and offshore funds). These services of SPIAS are provided on a non-discretionary basis and may include, but are not limited to:

- (i) advice relating to multi-manager and equity model portfolios,
- (ii) periodic reviews of investment performance that may include the following:
  - (A) analyses of the factors underlying performance,
  - (B) analyses of the client's or investment manager's diversification of investments,
  - (C) general reviews of the global investment and economic outlook,
- (iii) recommendations on the selection and weightings of individual securities,
- (iv) ongoing advice in applying SPIAS' methodology such as STARS,
- (v) recommendations on the selection of sub-advisers, and
- (vi) additional advisory consulting services as may be requested by a client from time to time.

### 3) *Sub-advisory services for registered open-end investment companies*

SPIAS also provides sub-advisory services to investment advisers of registered open-end investment companies (e.g., open-end mutual funds). In acting as a sub-adviser, SPIAS provides non-discretionary investment advice to the mutual fund's adviser with respect to an investment program and investment decisions for the assets of the fund. Such advice may include, but is not necessarily limited to, providing multi-manager and equity models and performance monitoring as well as general reviews of the global investment and economic outlook. In addition to quantitative and qualitative methods, analytical methods may include holdings based analysis of underlying securities of funds. SPIAS is not responsible for placing trades in the market or executing the fund's portfolio transactions as that is the responsibility of the mutual fund's investment adviser.

### 4) *Other Advisory Services*

SPIAS offers other advisory services, which may include qualitative and quantitative techniques. These other services are as follows:

- **Fund Classification:** Based on a list of funds provided by clients, SPIAS reviews the funds' performance, securities holdings, and/or investment objective of each fund and based on its review, will provide an asset class or investment style designation for clients.
- **Model Questionnaires:** SPIAS also creates questionnaires that can be used by clients to assist them in evaluating their clients' or end users' risk tolerance and/or investment goals/profile. SPIAS will also assist a client in reviewing these questionnaires or questionnaires prepared by the client to assist them in determining their underlying clients' and end users' risk profiles.

SPIAS' equity model portfolios are not created based on the specific investment objectives or restrictions of any person or individual and are created to be used by clients as a guide when managing their underlying clients' portfolios and accounts. Clients can choose which models they would like to use.

SPIAS also may recommend investment substitutes for recommended investments in a model. Certain clients may limit the universe of investments that SPIAS may consider for inclusion in particular models

provided to a client. SPIAS' clients and their underlying clients or firms to whom they have distributed models are solely responsible for all investment services provided to their clients or investors, including collecting information about the investors, recommending asset allocations and investments, determining suitability of allocations and investments, buying and selling securities for their clients' accounts, and all other investment decisions made and/or recommended by the client.

SPIAS also provides qualitative research reports on U.S. stocks, which are prepared by S&P Capital IQ equity analysts. S&P Capital IQ equity analysts are a part of SPIAS. These reports are based on the STock Appreciation Ranking System (STARS). S&P Cap IQ equity analysts rank stocks according to their individual forecast of a stock's future total return potential versus the expected total return of a relevant benchmark based on a 12-month time horizon. In North America, the relevant benchmark is the S&P 500 Index.

The STARS ranking system, which ranges from 1 through 5 STARS, is explained below:

- **5-STARS (Strong Buy):** Total return is expected to outperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.
- **4-STARS (Buy):** Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.
- **3-STARS (Hold):** Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.
- **2-STARS (Sell):** Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price is not anticipated to show a gain.
- **1-STARS (Strong Sell):** Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

In addition to providing qualitative research reports, SPIAS also provides other research services including: (i) access to S&P Capital IQ's equity analysts; (ii) seminars; (iii) industry meetings; and (iv) other events where SPIAS' clients can participate. All of these services are provided in conjunction with SPIAS' provision of research services. Access to S&P Capital IQ's equity analysts is limited to certain recipients of SPIAS' research services, including SPIAS' clients or a client's end users who may receive S&P Capital IQ's Stock Reports.

#### 5) *Advisory services to affiliates.*

Qualitative research reports on U.S. stocks are prepared by SPIAS and are based on STARS. S&P Cap IQ equity analysts rank stocks according to their individual forecast of a stock's future total return potential versus the expected total return of a relevant benchmark based on a 12-month time horizon. In North America, the relevant benchmark is the S&P 500 Index.

In the U.S., qualitative research reports on stocks are issued by S&P FS.



**D. Wrap Fee Programs**

SPIAS' model portfolios may be used in wrap fee programs. SPIAS does not sponsor wrap fee programs.

**E. Assets Under Management**

As of December 31, 2010, as reported by clients, SPIAS provided supervisory non-discretionary advisory services to approximately \$11.5 billion of client assets.

## **ITEM 5. FEES AND COMPENSATION**

The following applies to these advisory services: asset allocation strategies, fund selection services, multi-manager strategies, advisory consulting services to investment managers of investment funds other than registered open-end investment companies, sub-advisory services for registered open-end investment companies, fixed income strategies and provision of research reports and other related research services.

### **A. Types of Fees.**

SPIAS charges an asset based fee, a flat fee or subscription fee for its investment advisory services. Fees are negotiable depending on a client's specific circumstances, but may include certain factors including: (i) combination of services performed by SPIAS, (ii) difficulty of the services/analysis by SPIAS, (iii) the number and nature of the investment programs and/or investment vehicles (e.g., funds) that will utilize the services, (iv) location (domestic or foreign) of the client, (v) the client's investment program or investment funds, (vi) the number of distribution channels and (vii) degree of customization of a program for a client.

Fees charged clients may include fees for other products offered by S&P Capital IQ's other affiliates. Clients may be billed by an affiliate directly for these other products and services. Fees for services may also include a license fee for the use of the "S&P" or "S&P Capital IQ" name. SPIAS may charge a one time or recurring customization fee and/or an initial setup fees in connection with its services.

For sub-advisory services, net assets representing capital contributed by a fund's primary adviser or an affiliate thereof may be excluded from the calculation. In addition, to the extent SPIAS recommends products where S&P Capital IQ or an affiliate is paid fees that are tied to the amount of assets that are invested in the products or the volume of trading activity in the products, SPIAS may make an appropriate adjustment to its fees.

For research reports and other related services, clients may pay for such services via a subscription fee.

SPIAS, in its discretion, may waive or reduce some or all of the compensation to which it is entitled.

Fee schedules are set forth below under Subsection E.

### **B. Payment Method.**

In accordance with the fee for each SPIAS strategy, an asset-based fee may be based on (1) the aggregate balance of individual investors' accounts, (2) the balance in each individual investor's account, or (3) the aggregate balance of the funds. The fee may be calculated on average daily net assets or assets as of the end of the previous quarter. Asset based fees are billed on a monthly or quarterly basis in arrears. However, fees for unit investment trusts may be billed after the underwriting period expires for an offering. Clients who subscribe to qualitative research reports are generally charged on a subscription fee basis. Fees may be based on several factors, including, type of client (e.g., institutional, retail, private wealth management, etc.), distribution platform, number of users, and for certain types of reports, whether the client is requesting redistribution rights, and whether the client is also subscribing to other services such as Access to Analysts (described more fully on page 8 under Item 4.A.4 "Advisory Business." Clients may also be billed flat fees and on a quarterly basis in advance. Standard & Poor's Financial Services LLC may bill clients for certain products and services that are sold on a subscription basis. Minimum fees may apply to certain types of services and client accounts.

## C. Fees and Expenses

Based on contract terms, the client may reimburse SPIAS for expenses incurred to attend client meetings.

## D. Refunds

Clients may have the right to terminate their agreements with SPIAS in accordance with notice provisions included in client agreements and under the specific circumstances contained in the agreements. Upon termination of an agreement, SPIAS will refund any unearned fees on a pro rata basis after termination of the advisory contract. Certain administrative and operational costs incurred by SPIAS in connection with providing advisory services and/or tools to the client may not be refundable in all circumstances.

Sub-advisory agreements may be terminated at any time, without payment of any penalty, upon written notice by the client or SPIAS as noted in the sub-advisory agreement. The sub-advisory agreement will immediately terminate in the event of an assignment by either party.

## E. Sales Compensation

Neither SPIAS nor any of its supervised persons receive sales or brokerage commissions in connection with sales of its advisory services.

### Description of SPIAS' Individual Fees

#### 1. *Asset allocation strategies*

<u>Assets invested in asset allocation strategies</u>	<u>Asset based fee</u>
Asset allocation strategies.....	0.05%

SPIAS may charge a minimum annual fee for asset allocation strategies of \$125,000.

#### 2. *Fund selection services*

<u>Assets invested based upon fund selection services</u>	<u>Asset based fee</u>
Fund selection services .....	0.05% - 0.10%

SPIAS may charge a minimum annual fee for fund selection services of \$125,000. Depending on factors described above, SPIAS may charge a flat fee instead of an asset based fee ranging from \$125,000 to \$500,000.

#### 3. *Multi-manager strategies*

<u>Assets invested in multi-manager strategies</u>	<u>Asset based fee</u>
Model portfolios comprised of mutual funds and/or exchange traded funds .....	0.15%
Model portfolios comprised of mutual funds and/or exchange traded funds and stocks .....	0.25%

Certain clients of SPIAS may be paying different fees for the above services as they may be subject to different fees that were in place at the time of inception of their accounts with SPIAS. Model portfolios consisting of mutual funds and/or exchange traded funds may be subject to an investor account minimum of \$50,000.

4. *Equity strategies*

<b>Assets invested in equity strategies</b>	<b>Asset based fee</b>
Model portfolios comprised of stocks .....	0.25%

Certain clients of SPIAS may be paying different fees for the above services as they may be subject to different fees that were in place at the time of inception of their accounts with SPIAS. Equity strategy model portfolios may require an investor account minimum of \$100,000.

5. *Advisory consulting services to investment managers of investment funds other than registered open-end investment companies.*

<b>Assets invested in...</b>	<b>Asset based fee</b>
Unit investment trusts .....	0.15% - 0.20%
Investment funds, other than registered open-end management investment companies .....	0.25%

SPIAS may charge a minimum fee for unit investment trusts of \$20,000. SPIAS may charge a minimum fee for investment funds, other than registered open-end management investment companies, of \$150,000. Certain clients of SPIAS may be paying different fees for the above services as they may be subject to different fees that were in place at the time of inception of their accounts with SPIAS.

6. *Sub-advisory services for registered open-end investment companies*

Sub-advised investment strategies in VA investment program

<b>Assets invested in equity strategies</b>	<b>Asset based fee</b>
Amounts up to and including \$1 billion .....	0.06% - 0.13%
Amounts over \$1 billion up to and including \$3 billion .....	0.05% - 0.12%
Amounts over \$3 billion up to and including \$4 billion .....	0.04% - 0.11%
Amounts over \$4 billion up to and including \$5 billion .....	0.03% - 0.10%
Amounts over \$5 billion .....	0.02% - 0.08%
<b>Assets invested in multi-manager strategies</b>	<b>Asset based fee</b>
Amounts up to and including \$2.5 billion .....	0.02% - 0.10%
Amounts over \$2.5 billion .....	0.02% - 0.09%

Certain clients of SPIAS may be paying different fees for the above services as they may be subject to different fees that were in place at the time of inception of their accounts with SPIAS. Depending on factors described above, SPIAS may charge a minimum fee for sub-advisory services to registered open-end investment companies of between \$125,000 and \$500,000.

7. *Fund classifications*

Flat fee between \$75,000 and \$125,000 annually as a standalone service.

8. *Model questionnaires*

Flat fee between \$25,000 and \$50,000 annually as a standalone service.

9. *Fixed income strategies*

At the present time, SPIAS is not charging a fee for providing its fixed income strategies but may do so in the future.

10. *Qualitative Research Services and Reports*

The following is a summary of fees that apply to U.S. Stock Reports:

Service	Description	Subscription fee, per user
US Stock Reports	Tier 1 (least number of plat- form users	\$2,450
US Stock Reports	Tier 2	1720
US Stock Reports	Tier 3	1200
US Stock Reports	Tier 4	840

Fees for SPIAS other research services are as follows:

Seminars, industry meetings with S&P Capital IQ's analysts in attendance.....  
\$1,700/hour

Access to S&P Capital IQ's analysts..... \$500  
per hour (this fee may be bundled with other services and clients may be charged only after the overall fee exceeds a certain threshold as listed in the client agreement).

SPIAS' fees relating to the provision of research reports and research services are negotiable.

## **ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

SPIAS may receive from qualified clients a “performance incentive fee” based upon a portfolio’s performance in accordance with Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). The performance incentive fee may be based upon the amount by which the total return (i.e., price appreciation plus dividends) of the equity portion of the client’s account exceeds the total return of the benchmark index for a specified period of time. (The amount by which the total return of the client’s account exceeds the return of the benchmark index is herein referred to as “out-performance”.) Performance incentive fees may also be based on the performance relative to a peer group. The performance incentive fee may be payable upon achievement of any out-performance, or may be payable only if a specified threshold level of out-performance is achieved. SPIAS’ performance incentive fee may be subject to a maximum amount, and may increase, though not necessarily proportionately, as the amount of out-performance increases.

No clients are currently charged a performance based fee.

## **ITEM 7. TYPES OF CLIENTS**

SPIAS' clients are primarily institutional investors such as U.S. registered investment companies, unit investment trusts, insurance companies, variable annuities underlying funds, offshore funds, managed separate accounts, investment advisers, broker-dealers and other pooled investment vehicles. SPIAS also permits clients to provide SPIAS' models to other third parties through a web-based platform sponsored by the third party. SPIAS does not provide model portfolios directly to retail investors.

As explained above in Item 5 (Fees and Compensation), client fees may be subject to minimum billings. Certain model portfolios may require an investor account minimum.

## ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### A. SPIAS' Methods of Analysis and Investment Strategies

Investors should be aware that there are risks in investing in securities and investing in these securities involves risk of loss of an investor's principal investment and other losses that clients should be prepared to bear.

#### *Asset allocation strategies*

The SPIAS Portfolio Strategy Committee ("**Committee**") maintains a base-line asset allocation represented by indices. The Committee establishes guidelines for investment advisory portfolios. The guidelines are in the form of a baseline asset allocation that identifies the asset classes or sectors to employ, over/under weight for the asset classes and sectors, along with growth/value splits and capitalization ranges.

The Committee reviews market fundamentals and macroeconomic factors contributing to the prospects for global economies and financial markets. The objectives of the review are to (i) evaluate the ongoing tactical and strategic positions of recommended asset allocation strategies and (ii) ascertain optimal asset class combinations based on the Committee's expectations of evolving global business and investment trends.

SPIAS' equity allocation is designed to have core allocations to both international and domestic equities and is based on global equity market capitalization. The fixed income allocation is based on credit quality, duration and wherever possible by geographic region or country-specific markets.

#### *Multi-manager strategies and fund selection*

Multi-manager strategies are comprised of two core strategies: capital appreciation and current income. In constructing multi-manager strategies, SPIAS strives to diversify investment managers across sponsor organizations, investment approaches and underlying model portfolio sector and investment characteristics.

SPIAS' investment manager evaluation methodology is a multi-pronged approach, combining performance and quantitative analysis with qualitative analysis of managers. SPIAS' approach to performance evaluation is centered on identifying and monitoring for consistency. SPIAS' Fund Selection Committee screens and monitors managers based on discrete calendar year results in the context of market conditions and the manager's investment approach. Measuring risk-adjusted performance is as important as measuring absolute returns.

SPIAS' Fund Selection Committee conducts a qualitative review of investment managers with portfolio management to assess the strength of the investment managers, their investment process and philosophy and their consistency of approach. Once an investment manager is added to the coverage list, ongoing reviews are conducted. A review of the investment manager is undertaken to identify the strategy's performance drivers. Topics covered include:

- Management Group: Stability and Investment Culture.
- Investment Team: Experience, Effectiveness, Stability.



- Portfolio Manager: Philosophy, Consistency, Clarity, Focus.
- Portfolio: Unique characteristics, role in multi-manager strategy.

SPIAS' ETF selection process evaluates ETFs for structure, liquidity, and cost factors. Structure reflects evaluating the index the ETF aims to track, representation for the desired asset class, and the design of the ETF. Liquidity is evaluated quantitatively for daily trading volume, bid/ask spread, tracking errors and assets under management. Qualitatively, SPIAS reviews the process by which the ETF provider seeks to replicate an index (i.e., sampling versus full replication) and the creation/redemption process. Cost evaluations incorporate explicit expense ratios, premium/discount trends, and tracking error. SPIAS' selection process weighs the factors subjectively for each asset class. The evaluation of fixed income ETFs does incorporate greater emphasis on the creation/redemption process and liquidity as full index replication is typically not achievable.

### *Equity strategies*

At the core of a quantitative equity strategy is an alpha model. This refers to the alpha-generating process that forecasts stock returns and drives portfolio selection. The term alpha refers to the returns above a benchmark. The goal of an alpha-model is to provide portfolio returns above a selected benchmark.

Stocks from a selected universe are measured and ranked based on their exposure to “alpha-factors” or attributes related to company fundamentals and market characteristics. The choice of factors is guided by fundamental analysis and understanding of the relationships between fundamentals and market prices. Such fundamental insights are then quantified through empirical research and captured in a systematic fashion into an alpha-model.

Back testing is the core process of evaluating a strategy by applying it to historical data. In a backtest the predictive power of one or more factors is evaluated to understand the relationship between one or more factors and the subsequent returns of a universe through time. In addition, the backtest is evaluated for the correlation between alpha factors and future returns.

Backtesting gives no considerations to turnover, portfolio diversification and transaction costs. Therefore, before launching a new strategy, more realistic historical simulations need to be run. Such simulations may include minimum liquidity, transaction costs, sector or industry constraints and portfolio turnover targets.

SPIAS' equity strategies are usually rule-based, quantitative driven models that are subject to a qualitative overlay. Equity strategy objectives may be based on themes such as infrastructure and dividends. Equity strategies utilize S&P Capital IQ's or an affiliate's proprietary research such as S&P Capital IQ's STARS, Credit Ratings, Fair Value and Quality Rankings. A brief explanation of each follows:

- (i) STARS - see the subsection “Advisory Services to Affiliates” below for a description of STARS.
- (ii) Credit Ratings – SPIAS methodologies use Standard & Poor's Ratings Services issuer credit rating which is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they become due.
- (iii) Fair Value Rankings – Fair Value is a relative ranking model that divides a universe of stocks into five groups. Group 5 is composed of stocks that are believed to be significantly

undervalued relative to the Fair Value universe. Group 1 stocks are composed of stocks that are believed to be significantly overvalued relative to the Fair Value universe.

- (iv) **Quality Rankings** - Quality Rankings reflects the long-term growth and stability of a company's earnings and dividends in a single symbol. Rankings range from A+ (highest) to C (lowest).

#### *Fixed Income Strategies*

Fixed income strategies may be used to identify potential investment opportunities, research and/or fundamental security/obligor credit risk analysis. These same strategies may also be used to determine sector allocation, country risk, and cross-asset analysis and to gauge valuation and risk strategies for a portfolio. SPIAS uses Risk-to-Price (R2P), an analytic tool of SPSE, an affiliated investment adviser, to assist it in the security selection process. SPIAS' fixed income model portfolios' composition and portfolio strategies may be driven by SPIAS' use of quantitative models, hedging techniques and the use of R2P and other analytic screening tools to measure a security's creditworthiness, risk and probability of default.

#### *Advisory consulting services to investment managers of investment funds other than registered open-end investment companies*

Strategies and analytical methods may use some or all of the same strategies and analytical methods described above in "Asset allocation strategies," "Multi-manager strategies and Fund selection" and "Equity Strategies."

#### *Sub-advisory services for registered open-end investment companies*

Strategies and analytical methods may use some or all of the same strategies and analytical methods described above in "Asset allocation strategies," "Multi-manager strategies and fund selection" and "Equity strategies."

### **B. Risks Associated with SPIAS' Methods of Analysis and Investment Strategies**

*Models that allocate to the following assets classes are subject to additional risks:*

- (i) Emerging markets and international developing equity investing involves greater risks such as economic and political systems that are less developed, and likely to be less stable, than those of more advanced countries and markets that are characterized by lack of liquidity and price volatility.
- (ii) Small Cap and Mid Cap companies entail greater risk than investing in larger, more established ones.
- (iii) Real estate investment trusts may be affected by changes in the value of the underlying property, the quality of credit extended, defaults by borrowers and heavy cash flow dependency.
- (iv) High yield bonds are lower-rated fixed income securities that may involve greater risk than investments in higher-rated ("investment grade") securities.
- (v) Commodities are affected by underlying commodity prices which may exhibit high volatility.

- (vi) Mortgage-backed securities have heightened sensitivity to interest rate risk, are subject to prepayment risk and the resulting uncertainty of the timing of cash flow and are subject to the market's perception of the creditworthiness of the issuer.
- (vii) Inflation-protected securities are subject to several general risks, including interest rate risk, credit risk, and market risk. Interest payments on inflation-protected securities will vary as the principal and/or interest is adjusted for inflation and may be more volatile than interest paid on ordinary fixed-income securities.
- (viii) The price of fixed-income securities will fluctuate with changes in interest rates and in response to changes in the financial condition of the issuer. The value of fixed-income securities generally rises when interest rates fall, and fall when interest rates rise. Prices of longer-term securities generally increase or decrease more sharply than those of shorter-term securities in response to interest rate changes. An investor could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a derivatives contract, repurchase agreement or a loan of portfolio securities, is unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. Credit ratings may reflect the varying degrees of risk. Municipal bonds are subject to the risk that litigation, legislation or other political events, local business or economic conditions, or the bankruptcy of the issuer could have a significant effect on an issuer's ability to make payments of principal and/or interest.
- (ix) Although funds may generally use derivative instruments such as futures contracts and swaps for hedging and risk management, funds in the alternative asset class may use them to a greater extent, which may result in magnified risks. These instruments are subject to certain risks such as unanticipated changes in securities prices and global currency markets and sudden changes in the liquidity of the market for the derivative instrument. The use of derivatives may also create leveraging risk which may cause greater volatility.
- (x) Index investing risk – The indexing strategy does not attempt to manage volatility, use defensive strategies, or reduce the effects of any long-term periods of poor stock performance. Market fluctuations can cause the performance of an index to be significantly influenced by a handful of companies. Because different types of stocks tend to shift in and out of favor depending on market and economic conditions, performance may sometimes be lower than funds that actively invest in stocks that comprise the index. As a result of index sampling the securities selected will not provide investment performance matching that of the index.
- (xi) Managed portfolio risk – As an actively managed portfolio, the value of a fund's investments could decline because the financial condition of an issuer may change (due to such factors as management performance, reduced demand or overall market changes), financial markets may fluctuate or overall prices may decline, or the manager's investment techniques could fail to achieve the fund's investment objective.
- (xii) Fixed income risks – Investing in fixed income securities and related derivatives involves risks such as interest rate risk, credit risk and the possibility that an issuer will default on the payment of interest and principal. An investor could lose money if the issuer or guarantor of a fixed income security or the counterparty to a derivatives contract, repurchase agreement or a loan of portfolio securities, is unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. Credit ratings may reflect the varying degrees of risk.

*Model portfolios may be subject to these additional risks:*

- (i) Model portfolio returns are also affected by the ability of the underlying fund managers to achieve their investment objectives.
- (ii) Equity model portfolios and models that may include them tend to be more volatile, have higher betas and sector concentration or exclude entire sectors. In addition, models that use S&P's fair value methodology are sensitive to earnings estimates and their realizations. Historically, the equity model portfolios based upon the S&P Quality Rankings methodology and that are used in the Standard & Poor's model allocation portfolio program have lagged in advancing markets and outperformed in declining markets.
- (iii) Currency Risk – The value of a fund's foreign investments will be affected by changes in currency exchange rates. The U.S. dollar value of a foreign security decreases when the value of the U.S. dollar rises against the foreign currency in which the security is denominated and increases when the value of the U.S. dollar falls against such currency.
- (iv) Event risk – There may be risk due to unforeseen events associated with a company.
- (v) Market risk – Securities may also decline in value due to factors affecting securities markets generally, such as real or perceived adverse economic conditions, or particular industries represented in the securities markets, such as competitive conditions. In addition, the markets may not favor a particular kind of security, such as dividend-paying securities, and may not favor equities or bonds at all.
- (vi) Stock market risk – Stock market risk refers to the fact that stock prices typically fluctuate more than the values of other types of securities, typically in response to changes in the particular company's financial condition and factors affecting the market in general. Over time, the stock market tends to move in cycles, with periods when stock prices rise, and periods when stock prices decline. Consequently, a broad-based market drop may also cause a stock's price to fall. Bond market risk generally refers to credit risk and interest rate risk.
- (vii) Fixed income model portfolios' selection of fixed income securities are subject to shifts in interest rates and credit risks and the risk that an issuer may default on payments of interest and principal.

An investment based upon SPIAS' equity and fixed income model portfolios should only be made after consulting with a financial advisor and with an understanding of the risks associated with any investment in securities, including, but not limited to, market risk, currency risk, interest rate risk, political and credit risks, the risk of economic recession and the risk that issuers of securities or general stock market conditions may worsen, over time. Foreign investing involves certain additional risks, including currency fluctuations and controls, restrictions on foreign investments, less governmental supervision and regulation, less liquidity and the potential for market volatility and political instability. As with any investment, investment returns and principal value will fluctuate, so that when redeemed, an investor's shares in a fund or an investment strategy involving a portfolio comprised of funds, may be worth more or less than their original cost. An investor should also understand that past performance is no guarantee of future returns or results.

### C. SPIAS' Equity Research Services

SPIAS also offers equity research products and services on U.S. companies and issuers.

Research reports are prepared primarily on U.S. stocks using the STARS ranking system. The STARS ranking methodology is a fundamental (qualitative) approach to equity analysis based on a “growth at a reasonable price” philosophy and expected dividends. Fundamental analysis assesses factors such as earnings and cash flow growth expectations, macroeconomic variables, the competitive environment, barriers to entry, an analysis of risk, and quality of management. SPIAS’ equity analysts are provided a top-down or macroeconomic view to use in their analysis, including expectations for items such as interest rates, commodity prices, consumer spending, housing starts and other economic data from Standard & Poor’s Economics Group. Equity analysts are also provided information on economic and sector cycle timing from the S&P Capital IQ’s Investment Policy Committee and Chief Equity Strategist. STARS rankings are determined after assessing 12-month target prices for each security, which are based on intrinsic value analysis (discounted free cash flow), relative valuation (comparing financial ratios across peer groups) and/or sum of the parts (determining public/private market values for individual units of a company).

Although STARS reports contain general buy, hold and sell recommendation, the information contained in these reports is not advice tailored to any investor’s personal situation and users of these reports should be aware that they could suffer investment losses when investing in stocks that are the subject of a research report.

Under certain circumstances, S&P Capital IQ equity analysts may speak to SPIAS’ clients and/or a recipient of a STARS research reports (“a third party”) whereby the equity analyst’s discussion will be limited to the contents of published research reports. In these circumstances, SPIAS will not have any responsibility for (i) undertaking a suitability review of any third party’s financial situation; (ii) implementing any investment policies or strategies for a third party; or (iii) determining if any information provided to a third party is suitable for making an investment decision. Any use of information obtained from an S&P Capital IQ equity analyst by a third party is to be used at the third party’s own risk.

## **ITEM 9. DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of SPIAS' advisory business or the integrity of SPIAS' management. SPIAS currently has no information applicable to this Item.

## **ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **A. Registration as a Broker-Dealer or Registered Representative**

Neither SPIAS nor its management persons are registered as broker dealers or have an application pending to register, as broker-dealers or registered representatives of a broker-dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Adviser or Associated Person**

Neither SPIAS nor its management persons are registered or have an application pending to register, as futures commission merchants, commodity pool operators, commodity trading advisors, or associated persons of the foregoing entities.

### **C. Material Relationships**

1. With broker-dealer, municipal securities dealer, or government securities dealer or broker.

SPIAS does not have any material relationships with a broker-dealer, municipal securities dealer, or government securities dealer or broker.

2. With investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund).

Not applicable.

3. With other investment adviser or financial planner.

SPIAS is an affiliate of SPSE, a registered investment adviser. SPIAS has a relationship with SPSE as it uses SPSE’s Risk-to-Price (R2P) fixed income security screening tool as a part of SPIAS’ security selection process for SPIAS’ fixed income model portfolios. At the present time, SPIAS does not pay SPSE for using R2P in its advisory business and does not consider its relationship with SPSE to be material to its overall advisory business.

SPIAS is also affiliated with the following non-US investment advisers: Standard & Poor’s Investment Advisory Services (HK) Limited (“**SPIAS HK**”), McGraw-Hill Financial Japan KK (“**MHF Japan**”), McGraw-Hill Financial Europe Research Ltd. (**MHF Europe**) Standard & Poor’s LLC-Singapore branch (“**S&P LLC-Singapore**”). Certain persons associated with MHF Europe may provide advice through SPIAS to certain U.S. clients of SPIAS. When these individuals provide advisory services, they will be deemed to be an “associated person” of SPIAS as that term is defined under Section 202 (17) of the Investment Advisers Act (Advisers Act), will be subject to supervision by SPIAS and to SPIAS’ policies and procedures, including SPIAS’ Code of Ethics, which is more fully described at Item 11 “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.” These individuals, through MHF Europe and/or another affiliate, will maintain all records relating to such advice provided to SPIAS’ clients in accordance with Rule 204-2 under the Advisers Act.

4. With futures commission merchant, commodity pool operator, or commodity trading adviser.

Not applicable.

5. With banking or thrift institution.

Not applicable.

6. With accountant or accounting firm.

Not applicable.

7. With lawyer or law firm.

Not applicable.

8. With insurance company or agency.

Not applicable.

9. With pension consultant.

Not applicable.

10. With real estate broker or dealer.

Not applicable.

11. With sponsor or syndicator of limited partnerships.

Not applicable

12. Nationally Recognized Statistical Rating Organization (NRSRO)

SPIAS is affiliated with Standard & Poor's Ratings Services, a Nationally Recognized Statistical Rating Organization ("NRSRO"). SPIAS does not have a material relationship with Standard & Poor's Ratings Services. SPIAS uses Standard & Poor's credit ratings as factors in some of its investment strategies which it obtains through Standard & Poor's Financial Services LLC, an affiliated information service provider.

SPIAS may consider research and other information from affiliates in making its investment recommendations. In order to address this potential conflict of interest, the investment policies of certain portfolios specifically state that among the information SPIAS will consider in evaluating a security are the ratings assigned by its affiliate, Standard & Poor's Ratings Services. SPIAS does not consider the ratings of other credit rating agencies, which may represent more or less favorable opinions of creditworthiness than those of Standard & Poor's Ratings Services. SPIAS obtains Standard & Poor's credit ratings through Standard & Poor's Financial Services LLC (S&P FS), an affiliated information service provider. SPIAS does not compensate Standard & Poor's Ratings Services for its ratings information when it is used in SPIAS' business. SPIAS does not have a material relationship with Standard & Poor's Ratings Services and the relationship SPIAS has with Standard & Poor's Ratings Services does not create a material conflict of interest with any client of SPIAS.



13. Other services. A Member of SPIAS' Board of Managers has an ownership interest in IF Analytics, an unaffiliated firm that creates and designs tools to assist financial professionals in screening fixed income securities for, among other things, credit risk and probability of default. SPIAS does not use IF Analytics in its advisory business and the Member does not receive compensation from the use of IF Analytics by any affiliate of SPIAS.

#### **D. Recommendation of Other Investment Advisers**

SPIAS' advisory services maybe distributed in certain countries by affiliates as follows: in Hong Kong, by SPIAS HK, in Japan, by MHF Japan, in the U.K. by MHF Europe and in Singapore, by S&P LLC-Singapore. Some of SPIAS' directors also serve as Members of the Board of Managers of S&P LLC-Singapore and as directors of SPIAS HK.

SPIAS may recommend other investment advisers, other than affiliates, who can implement an investment strategy to meet a client's investment goals and objectives. SPIAS does not receive compensation, directly or indirectly, from such advisers.

#### **E. Registration with Foreign Financial Regulatory Authorities**

In addition to being registered with the U.S. Securities & Exchange Commission as an investment adviser, SPIAS is also registered with the Financial Services Commission in the Republic of Korea as a cross-border investment adviser.

## **ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **A. Code of Ethics**

In order to address conflicts of interest, SPIAS has adopted a code of ethics (the “**Code**”) pursuant to Rule 204A-1 under the Advisers Act, which is applicable to all of SPIAS’ employees and associated persons, and certain individuals who may be associated with one of SPIAS’ non-U.S. advisory affiliates. SPIAS’ Code generally sets the standard of ethical and professional business conduct that SPIAS requires employees to comply with applicable federal securities laws and regulations, and sets forth provisions regarding personal securities transactions by employees. Additionally, the Code sets forth SPIAS’ policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary obligations that SPIAS and each of its employees owes to each advisory client. The Code is circulated at least annually to all employees, and each employee must certify in writing on an annual basis that he or she has received and followed the Code and any amendments thereto. SPIAS will provide a copy of the Code to any client or prospective client upon request. Clients and prospective clients may request a copy of the Code by e-mailing: [spias@standardandpoors.com](mailto:spias@standardandpoors.com).

### **B. Participation or Interest in Client Transactions**

SPIAS may include in a model portfolio or substitution list, otherwise present as an investment option and/or recommend for investment certain funds to which S&P Indices through an affiliate licenses certain intellectual property or otherwise has a financial interest, including exchange-traded funds whose investment objective is to substantially replicate the returns of a proprietary S&P Indices’ index such as the S&P 500. SPIAS includes these funds in models, otherwise presents them as an investment option and/or recommends them for investment based on asset allocation, sector representation, liquidity and other factors; however, SPIAS has a potential conflict of interest with respect to the inclusion of these funds. In cases where compensation is received that is tied to the amount of assets that are invested in the fund or the volume of trading activity in the fund, investment in the fund will generally result in an affiliate of SPIAS earning compensation in addition to the fees received by SPIAS in connection with its provision of services. In certain cases there may be alternative funds that are available for investment that will provide investors substantially similar exposure to the asset class or sector.

S&P FS or an affiliate may license certain intellectual property or provide pricing or other services to, or otherwise have a financial interest in, certain issuers of securities, including derivative instruments based on an index issued by S&P Indices, an affiliated business of SPIAS. In cases where S&P FS or an affiliate is paid fees that are tied to the volume of trading activity of the derivative instrument, trading activity will generally result in S&P FS or an affiliate earning compensation in addition to the subscription fees or other compensation for services rendered by S&P Capital IQ’s and S&P Indices businesses.

S&P Capital IQ and S&P Indices through S&P FS or another affiliate provide a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services they may recommend, rate, include in model portfolios, evaluate or otherwise address.

SPIAS may consider research and other information from affiliates in making its investment recommendations. In order to address this potential conflict of interest, the investment policies of certain portfolios specifically state that among the information SPIAS will consider in evaluating a security are the ratings assigned by its affiliate, Standard & Poor’s Ratings Services. SPIAS does not consider the

ratings of other credit rating agencies, which may represent more or less favorable opinions of creditworthiness than those issued by Standard & Poor's Ratings Services.

In addition, SPIAS may provide advice regarding or recommending securities in which it or an affiliate directly or indirectly has a financial interest. SPIAS' employees also may buy and sell securities for their own or other accounts that also are recommended to clients. SPIAS may recommend securities to clients in which one or more of its employees, officers, partners, or associated persons have an ownership or other financial interest. SPIAS may give advice to some clients which differs from the advice it gives to other clients.

### **C. Personal Trading**

SPIAS has also adopted a Securities Disclosure Policy ("SDP"), which requires SPIAS' employees and certain individuals who may be associated with one of SPIAS' non-U.S. advisory affiliates to pre-clear most trades, report these transactions on a periodic basis and maintain their personal security accounts (as well as those of "immediate family" members) at certain designated brokerage firms from which it will receive real time feeds of employee (and immediate family member) trades for comparison against trades that were pre-cleared by the employee and immediate family members. The SDP's black-out periods, pre-clearance procedures and periodic reporting of transactions is designed to monitor transactions in employees' personal accounts and prevent conflicts of interest that may arise between employees' personal securities transactions and SPIAS' investment advisory services.

An individual's Securities Classification Profile level will determine if an employee (including immediate family members) is prohibited from trading in certain securities and will also determine which Restricted List an employee must follow before submitting a trade-pre-clearance request. S&P Capital IQ's equity analysts are prohibited from holding or transacting securities in the sub-industry groups they cover. All employees are required to pre-clear the majority of trades; pre-clearance is only valid from the receipt of approval until the end of that same trading day in the principal market for that security.

SPIAS believes that the adoption of the Code of Ethics and SDP should provide for strong internal controls and mitigate any risks that an employee (and immediate family members) will trade in a security in contravention of SPIAS' aforementioned policies or when certain employees are in possession of confidential and/or price sensitive information as a result of their involvement in providing investment advisory services.

### **D. Concurrent Trading Activity**

Under SPIAS' Code and employee trading policy, employees are generally subject to restricted lists and black-out periods surrounding activity occurring in SPIAS' business unit and therefore, certain employees and their immediate family members will be prohibited from trading in securities that are subject to this same business unit activity.

## **ITEM 12. BROKERAGE PRACTICES**

SPIAS does not provide discretionary advisory services to clients and does not place trades in the market. SPIAS does not use soft dollars as it does not receive research or other products or services in connection with client brokerage nor does it use brokerage to compensate brokers for client referrals or direct brokerage.

## **ITEM 13. REVIEW OF ACCOUNTS**

### **A. Periodic Account Review**

SPIAS undertakes reviews of client accounts on a daily, weekly, bi-weekly, monthly or other frequency, depending on the client's investment strategy and as set forth in a client's agreement with SPIAS for the provision of advisory services. Two primary levels of review are used to evaluate and monitor SPIAS' provision of investment advisory services to clients: the head of investment strategy and individual person assigned to the client's account. These individuals evaluate and monitor the investment service provided to each client. The head of investment strategy periodically reviews the analysis and decisions of the assigned investment professionals for compliance with clients' investment guidelines and restrictions.

SPIAS also monitors and reviews the performance of the model portfolios on a regular basis (e.g., daily, weekly, monthly or other frequency) and, as necessary, reallocates and/or recommends changes to the recommended asset allocation, securities, and/or substitute securities used in the model portfolios.

### **B. Review on other than a Periodic Basis**

Not applicable.

### **C. Regular Reports**

As set forth in client agreements, clients may receive commentary, generally on a quarterly basis, on model portfolio performance and strategy information regarding the advisory services provided and may include other information such as general market outlook. Representatives of SPIAS may also provide updates to clients via telephone, electronically or by in-person meetings with a client.

## **ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION**

### **A. Compensation By Non-Clients**

Not applicable to SPIAS' business.

### **B. Compensation for Client Referrals**

In addition to compensating its own employees who are salespersons, for sales of SPIAS' advisory services to clients referred to SPIAS, SPIAS may also pay a portion of the fees that it receives from clients to unrelated parties for client referrals. Generally, such payments will be calculated based on a percentage of the fees paid to SPIAS by the client. SPIAS will enter into written agreements with non-affiliated persons and compensate them for referring clients to SPIAS in accordance with Rule 206(4)-3 of the Advisers Act, which includes requiring the solicitor to provide the client with a copy of SPIAS' Brochure (Part 2A & Part 2B of Form ADV) and a copy of the solicitor's own disclosure statement and the receipt of a signed and dated acknowledgement that he/she has received a copy of SPIAS' Brochure and the third party solicitor's own disclosure statement prior to or at the time of entering into an agreement with the client. If clients will be charged a higher advisory fee than they would be charged if there were no solicitor, this fact will be disclosed. In every instance, arrangements with third parties will be fully disclosed as required by applicable law.

#### **ITEM 15. CUSTODY**

Not applicable-SPIAS does not take custody of any client assets/funds.

## **ITEM 16. INVESTMENT DISCRETION**

SPIAS provides investment advisory services to clients on a non-discretionary basis and does not provide discretionary portfolio management services. This section is not applicable to SPIAS' business.



## **ITEM 17. VOTING CLIENT SECURITIES**

SPIAS does not provide discretionary portfolio management and/or advisory services and does not have proxy voting authority. This section is not applicable to SPIAS' business.

## **ITEM 18. FINANCIAL INFORMATION**

### **A. Prepayment of Fees**

SPIAS does not require prepayment of fees of more than \$1,200, six months or more in advance. This section is not applicable to SPIAS, and it is not required to provide an audited balance sheet to clients.

### **B. Impairment of Contractual Commitments**

Not applicable to SPIAS' business.

### **C. Bankruptcy Petitions**

SPIAS has not been subject to bankruptcy proceedings within the last 10 years.