



**Form ADV Part 2A**

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**American Independence Financial Services, LLC**

230 Park Avenue, Suite 534  
New York, NY 10169  
Phone: (212) 488-1331  
[www.AmericanIndependence.com](http://www.AmericanIndependence.com)

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American Independence Financial Services, LLC is registered with the Securities and Exchange Commission. The statements contained herein have not been verified or evaluated by any regulator. Registration does not imply that American Independence Financial Services, LLC, or its associates, have attained a certain level of skill or training.

Clients and prospective clients are encouraged to visit the SEC's Investment Adviser Public Disclosure (IAPD) for more information about American Independence Financial Services, LLC. The IAPD web address: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

American Independence Financial Services, LLC shall be referred to as "American Independence" in this document.

**Item 2 – Material Changes**

In July 2010, the United States Securities and Exchange Commission (“SEC”) amended the rules regarding Form ADV Part II. These rules require several changes to the American Independence disclosure document, now known as Form ADV Part 2A and 2B.

These changes include:

- Completely new formatting
- Expanded disclosure requirements for firms and certain personnel
- A requirement to write in plain English

This document is intended to meet the new regulatory requirements. This disclosure brochure is divided in two sections; 2A and 2B. Section 2A provides detailed information about American Independence and Section 2B provides information regarding key American Independence personnel.

In subsequent versions of Form ADV Part 2A and 2B, American Independence will disclose material changes to this document in Item 2 – Material Changes. Anytime a material change is made to this document, American Independence will notify clients and furnish all clients with a copy of this document at no charge. If any clarification is needed on any point contained herein, please contact American Independence directly at (212) 488-1331.

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**Item 4 – Advisory Business****Firm Information**

American Independence Financial Services, LLC (“American Independence”) is a SEC registered investment advisory firm that has been operational since March 2006. American Independence initially provided investment management services to a proprietary investment company, American Independence Funds Trust (the “Trust”). In addition, in June 2010, American Independence began offering investment advisory services to separately managed accounts.

American Independence provides professional, both discretionary and non-discretionary actively managed investment advisory services to registered investment companies and separately managed accounts, aggregating approximately \$1.4 billion in assets under management.

As of December 31, 2011, American Independence managed the following assets:

Discretionary Assets	\$ 1,321,310,159
Non-Discretionary Assets	\$64,457,089
<b>Total Assets Under Management</b>	<b>\$ 1,385,767,248</b>

John J. Pileggi and Eric M. Rubin are the Founding and Managing Members of American Independence and are active in the day to day management and growth of American Independence. Together they own approximately 35% of American Independence. Several other American Independence employees own minority interests in the company and, along with the interests of John Pileggi and Eric Rubin, American Independence is approximately 75% “employee owned”. The remainder of American Independence is owned by private and unaffiliated individuals or entities. The firm is comprised of industry leaders with over 25 years of average industry tenure.

To learn more about American Independence, visit [www.AmericanIndependence.com](http://www.AmericanIndependence.com) or call (212) 488-1331.

**Advisory Services Offered**

American Independence provides investment advisory or sub-advisory services to registered investment funds (both proprietary and non-proprietary). American Independence also provides investment sub-advisory services in connection with certain “wrap programs” and also provides non-discretionary investment sub-advisory services to certain clients of unified model account portfolios to which the clients will execute trades based on the model if they deem it appropriate to do so. American Independence also provides investment advisory and sub-advisory services to institutional and individual clients through its separate account management services.

American Independence’s clients may include, but are not limited to: financial institutions, registered investment companies, retirement accounts, corporations, banks and thrift institutions, separate accounts, and other institutional type accounts (both taxable and tax-exempt), as well as high net worth and other individuals. The types of clients to which American Independence

provides investment management services are disclosed in the Adviser's Form ADV Part I and summarized in Item 7 ("Types of Clients") of this Brochure.

### **Separately Managed Accounts**

American Independence offers a variety of equity and fixed income investment strategies ("Strategy" or "Strategies") to individual and institutional separate account clients. Information about American Independence's compensation arrangements is included in Item 5 ("Fees and Compensation") of this Brochure.

American Independence participates as an investment manager in SMA programs sponsored by various broker-dealers, investment advisers and other firms (which may include acting as sub-adviser to clients who authorize their investment advisers to retain an adviser to act as a discretionary investment manager). The SMA programs in which American Independence currently participates is identified in the firm's Form ADV, Part I. American Independence may require a minimum account size for its investment strategies, which may vary among SMA programs. In most SMA programs, the program's sponsor ("Sponsor") is responsible for establishing the financial circumstances, investment objectives and investment restrictions applicable to each client, often through a client profile ("Profile") and discussions between the client and the Sponsor's personnel. Each client typically completes a Profile in addition to executing a program contract with the Sponsor. In some SMA programs, clients also may be required to execute a separate agreement directly with American Independence or, American Independence may be made a party to the Sponsor/client agreement (often referred to as "Dual Contract SMA Programs"). The client's program agreement with the Sponsor generally establishes the services to be provided to the client by, or on behalf of, the Sponsor, which may include, among other things: (i) manager selection; (ii) trade execution, often without a transaction-specific commission or charge; (iii) custodial services; (iv) periodic monitoring of investment managers; and (v) performance reporting.

### **Client Account Management**

Clients and their financial advisors determine which, if any, of American Independence's investment strategies are appropriate for them given their investment goals and objectives, time horizon, and risk tolerance, among other factors. American Independence does not customize the client portfolios within each strategy and does not accept restrictions on the investment management of the accounts.

### **Wrap Fee Programs**

We are the portfolio manager for several wrap fee programs that are sponsored by unaffiliated third parties, in which case we receive a portion of the wrap fee that is charged to the client by the sponsor.

There are some differences in the way wrap accounts and non-wrap accounts are managed within the same strategy, primarily because wrap accounts are usually smaller and are subject to restrictions set by the Sponsor. Additionally, Exchange Traded Funds ("ETFs" or "ETF") may be utilized in the management of wrap fee accounts at the request of the Sponsor. Trades are likely to be executed with the wrap fee sponsor as trading costs are built into the wrap fee.

**Item 5 – Fees and Compensation**

An adviser's fees generally depend on the services being provided. For investment management services, fees typically are expressed as a percentage of the net assets under management. Fee arrangements vary by client, and are based on a number of different factors, including investment mandate, services performed, and account/relationship size. For an additional discussion of performance-based fees and allocations, please refer to Item 6 ("Performance-Based Fees and Side-by-Side Management").

The fee schedule for the managed account program is as follows:

<b>Strategy</b>	<b>% of Average Monthly Assets</b>
Active Interest Rate Management	0.40% (40 basis points)
Absolute Return Bull/Bear	0.50% (50 basis points)
Active Interest Rate Management Intermediate Duration	0.30% (50 basis points)
Absolute Return Bull/Bear ETF	0.50% (50 basis points)
Large Cap Value	0.55% (55 basis points)
Large Cap Growth	0.55% (55 basis points)
Small Cap Growth	0.70% (70 basis points)

All fees are negotiable and are most commonly charged quarterly in arrears.

**Fee Billing**

The fee schedule, manner in which the fee is calculated, billing method and when fees are due are detailed in the investment management agreement. Fees for partial periods, either upon opening an account or terminating services, will be prorated based on the number of days that services will be, or were, provided. Asset-based fees generally are paid monthly or quarterly, and are calculated on the value of the account's average monthly net assets.

Clients generally are charged by the Sponsor quarterly, a comprehensive or "wrap fee" based upon a percentage of the value of the assets under management to cover such services. The wrap fee often, but not always, includes the advisory fees charged by American Independence (or other participating managers) through the program. Where the services provided by American Independence are included in the wrap fee, the Sponsor generally collects the wrap fee from the client and remits the advisory fee to American Independence. In Dual Contract SMA Programs, the investment manager's fee typically is paid directly by the client pursuant to a separate agreement between American Independence and the client.

SMA program clients also may be subject to additional fees, expenses and charges (e.g., commissions on transactions executed by a broker-dealer other than the Sponsor or the program's designated broker-dealer(s), expenses with respect to investments in pooled vehicles (such as ETFs, money market, and other registered investment companies), dealer mark-ups or

mark-downs on principal transactions, and certain costs or charges imposed by the Sponsor or a third-party, such as odd-lot differentials, exchange fees and transfer taxes mandated by law). Generally, Sponsors are responsible for providing clients with both this Brochure and other applicable brochures for the Sponsor's program (the "Program Brochure"). The Program Brochure for each Sponsor is also available through the Investment Adviser Public Disclosure ("IAPD") website. SMA program clients should review the Sponsor's Program Brochure for further details about the relevant program. Such clients should consider that, depending upon the rate of the wrap fee charged, the amount of trading activity, the value of custodial and other services provided and other factors, the wrap fee may exceed the aggregate costs of the services provided if they were to be obtained separately (although, in some cases, it may be possible to obtain such services only through the program) and, with respect to brokerage, any transaction-based commissions paid by the account. American Independence is not responsible for, and does not attempt to determine, whether a particular third-party SMA program is suitable or advisable for program participants. American Independence reserves the right, in its sole discretion, to reject any account referred to it by a Sponsor for any reason, including, but not limited to, the client's stated investment goals and restrictions.

American Independence's fees for managing SMA program accounts may be less than the fees it receives for managing similar accounts outside of a SMA program. However, clients should be aware that, as discussed above, the total fees and expenses associated with a SMA program may exceed those which might be available if the services were acquired separately.

#### **Other Fees and Expenses Clients May Pay**

In addition to the fees described above, clients may bear other costs associated with investments or accounts including but not limited to: (i) custodial charges, brokerage fees, commissions and related costs; (ii) interest expenses; (iii) taxes, duties and other governmental charges; (iv) transfer and registration fees or similar expenses; (v) other portfolio expenses; and (vi) costs, expenses and fees.

#### *Investment Company Fees*

All fees paid to American Independence are separate and distinct from fees charged by investment companies (mutual funds and exchange traded funds) to their shareholders. Fees and expenses paid by shareholders in a fund are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. A client could invest in an investment company directly, without the services of American Independence. In that case, the client would not receive the services provided by American Independence which are designed, among other things, to assist the client in determining which funds or other investments are most appropriate to each client's financial condition and objectives.

#### *Third Party Service Provider and Brokerage Fees*

Clients may incur certain fees or charges imposed by third-parties in connection with investments made by American Independence on behalf of clients. Such third parties would include the custodian at which the client maintains an account. These fees and charges are separate and distinct from the fees paid to American Independence and may include, but not be limited to: transaction related fees (commissions and other brokerage fees), IRA and Qualified

Retirement Plan fees, interest charged on margin borrowing, bank service fees, interest charged on debit balances, and other servicing fees. American Independence is not responsible for and does not receive any portion of these fees or charges. Please refer to Item 12 of this brochure for more information on brokerage practices.

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

American Independence does not currently charge performance-based fees for any client. If American Independence enters into such an arrangement, full disclosure will be made in this section.

### **Item 7 – Types of Clients**

American Independence may provide services to a variety of client types. Clients may include:

- Registered investment companies
- Individuals, Personal Trusts and Estates – Private investors, investing personal assets
- Charitable Organizations, Foundations and Endowments – Non-profit entities investing contributions to support a stated mission or mandate
- Corporations – Taxable entities organized for a specific business purpose, investing cash reserves

The relative percentage each client type currently represents is available on American Independence's Form ADV Part 1. The actual mix of the client types changes over time based upon market conditions, business plans and other factors.

The minimum investment for a separate account is generally \$100,000. However, certain platforms through which American Independence's disciplines are offered may have larger or smaller minimum amount requirements. If American Independence's disciplines are implemented through the use of ETFs or in a Unified Management Account ("UMA") program the minimum investment is \$50,000. Platform providers may require a greater investment amount. With the exception of platform minimums, the separate account minimums are negotiable depending on other conditions, including but not limited to, the size of the overall relationship and its potential for growth.

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

American Independence offers the following investment strategies through its SMA platform:

#### **Active Interest Rate Management Strategy**

Seeks to maximize total return through Treasury bond appreciation as well as income generation from Treasury bond holdings. The strategy seeks to obtain its objective by utilizing a proprietary Interest Rate Forecasting Process. Our process takes a *Sum of Evidence* approach in an attempt to forecast interest rates on a monthly basis. Our research indicates that a monthly horizon provides an opportunity to capture the general cyclical trend in interest rates while allowing for the potential to benefit from short term deviations in the trend. The strategy benchmark is the Barclays Capital U.S. Treasury Index.



**Principal Strategies**

Under normal market conditions, the Strategy intends to invest in the following manner:

- At least 80% of its net assets, plus borrowings for investment purposes, will be invested in U.S. Treasury securities;
- The Strategy will maintain an average duration between 0 and 12 years\* based on American Independence's outlook for changes in interest rates. American Independence determines the duration based upon its proprietary Interest Rate Scorecard ("Scorecard"). The Scorecard is a highly disciplined, quantitative approach that is statistically based and employed to determine the interest rate outlook. The Scorecard is grounded on the basic economic theory of interest rate behavior and combines measures of economic growth, e.g., employment growth, inflationary expectations, e.g., the behavior of precious metals prices and the recent trend in interest rates. The Scorecard seeks to identify both the cyclical path of interest rates as well as short term deviations away from it. The rate outlook is reviewed on a monthly basis to manage risk and take advantage of short term deviations from the general trend in rates. The duration of the portfolio is adjusted monthly to reflect the interest rate outlook from the Scorecard which falls in one of five categories. If the Scorecard indicates higher rates, American Independence will position the portfolio with a duration of roughly 0 (zero) years\* if the outlook is Fully Bearish; or 50% of the benchmark (about 3.0 years\*) if it is Moderately Bearish. If the Scorecard is indeterminate, American Independence will match the duration of the benchmark (about 6.0 years\*). If the Scorecard signals lower rates, American Independence will position the portfolio with a duration of 150% of the benchmark (about 9.0 years\*) if Moderately Bullish; or 200% of the benchmark (about 12.0 years\*) if the outlook is Fully Bullish; and
- 100% of the Strategy's total assets will be invested in U.S. dollar-denominated securities.

Note: \*All Duration Ranges are approximate and would change based on the duration of the benchmark. Accounts can be customized based on client preferences, potentially.

**Main types of securities the Strategy may hold:**

- U.S. Treasury securities including Treasury Bills, Treasury Notes and Treasury Bonds
- Short term money market securities, including cash, money market mutual funds and Treasury Bills
- Treasury related Exchange Traded Funds ("ETFs")

**Absolute Return Bull/Bear Strategy**

Seeks to maximize total return through Treasury bond appreciation as well as income generation from Treasury bond holdings. The strategy seeks to obtain its objective by utilizing a proprietary Interest Rate Forecasting Process. Our process takes a *Sum of Evidence* approach in an attempt to forecast interest rates on a monthly basis. Our research indicates that a monthly horizon provides an opportunity to capture the general cyclical trend in interest rates while allowing for the potential to benefit from short term deviations in the trend. The strategy benchmark is the Barclays Capital U.S. Treasury Index.

**Principal Strategies**

Under normal market conditions, the Strategy intends to invest in the following manner:

- At least 80% of its net assets, plus borrowings for investment purposes, will be invested in U.S. Treasury securities or Treasury related ETFs;
- The Strategy expects to maintain an average duration between -12 (negative 12) and 12 years\*. American Independence determines the duration based upon its proprietary Interest Rate Scorecard ("Scorecard"). The Scorecard is a highly disciplined, quantitative approach that is statistically based and employed to determine the interest rate outlook. The Scorecard is grounded on the basic economic theory of interest rate behavior and combines measures of economic growth, e.g., employment growth, inflationary expectations, e.g., the behavior of precious metals prices and the recent trend in interest rates. The Scorecard seeks to identify both the cyclical path of interest rates as well as short term deviations away from it. The rate outlook is reviewed on a monthly basis to manage risk and take advantage of short term deviations from the general trend in rates. The duration of the portfolio is adjusted monthly to reflect the interest rate outlook from the Scorecard which falls in one of five categories. If the Scorecard indicates higher rates, American Independence will position the portfolio with a duration of roughly -12 years\* (implemented typically through the use of inverse ETFs) if the outlook is Fully Bearish; or 50% of the benchmark, (about 3.0 years\*) if it is Moderately Bearish. If the Scorecard is indeterminate, American Independence will match the duration of the benchmark (about 6.0 years\*). If the Scorecard signals lower rates, American Independence will position the portfolio with a duration of 150% of the benchmark (about 9.0 years\*) if Moderately Bullish; or 200% of the benchmark (about 12.0 years\*) if the outlook is Fully Bullish. By using leveraged ETFs, the Strategy could possibly sustain a substantial loss in volatile markets; and
- 100% of the Strategy's total assets will be invested in U.S. dollar-denominated securities.

Note: \*All Duration Ranges are approximate and would change based on the duration of the benchmark. Accounts can be customized based on client preferences, potentially.

**Main types of securities the Strategy may hold:**

- U.S. Treasury securities including Treasury Bills, Treasury Notes and Treasury Bonds
- Treasury related ETFs, including leveraged ETFs
- Short term money market securities, including cash, money market mutual funds and Treasury Bills

**Active Treasury Management Intermediate Duration Strategy**

Seeks to maximize total return through Treasury bond appreciation as well as income generation from Treasury bond holdings. The strategy seeks to obtain its objective by utilizing a proprietary Interest Rate Forecasting Process. Our process takes a *Sum of Evidence* approach in an attempt to forecast interest rates on a monthly basis. Our research indicates that a monthly horizon provides an opportunity to capture the general cyclical trend in interest rates while allowing for the potential to benefit from short term deviations in the trend. The strategy benchmark is the Barclays Capital U.S. Treasury Intermediate Index.

**Principal Strategies**

Under normal market conditions, the Strategy intends to invest in the following manner:

- At least 80% of its net assets, plus borrowings for investment purposes, will be invested in U.S. Treasury securities;
- The Strategy will maintain an average duration between 0 and 8 years\* based on American Independence's outlook for changes in interest rates. American Independence determines the duration based upon its proprietary Interest Rate Scorecard ("Scorecard"). The Scorecard is a highly disciplined, quantitative approach that is statistically based and employed to determine the interest rate outlook. The Scorecard is grounded on the basic economic theory of interest rate behavior and combines measures of economic growth, e.g., employment growth, inflationary expectations, e.g., the behavior of precious metals prices and the recent trend in interest rates. The Scorecard seeks to identify both the cyclical path of interest rates as well as short term deviations away from it. The rate outlook is reviewed on a monthly basis to manage risk and take advantage of short term deviations from the general trend in rates. The duration of the portfolio is adjusted monthly to reflect the interest rate outlook from the Scorecard which falls in one of five categories. If the Scorecard indicates higher rates, American Independence will position the portfolio with a duration of roughly 0 (zero) years\* if the outlook is Fully Bearish; or 50% of the benchmark (about 2.0 years\*) if it is Moderately Bearish. If the Scorecard is indeterminate, American Independence will match the duration of the benchmark (about 4.0 years\*). If the Scorecard signals lower rates, American Independence will position the portfolio with a duration of 150% of the benchmark (about 6.0 years\*) if Moderately Bullish; or 200% of the benchmark (about 8.0 years\*) if the outlook is Fully Bullish; and
- 100% of the Strategy's total assets will be invested in U.S. dollar-denominated securities.

Note: \*All Duration Ranges are approximate and would change based on the duration of the benchmark. Accounts can be customized based on client preferences, potentially.

**Main types of securities the Strategy may hold:**

- U.S. Treasury securities including Treasury Bills, Treasury Notes and Treasury Bonds
- Short term money market securities, including cash, money market mutual funds and Treasury Bills
- Treasury related Exchange Traded Funds ("ETFs")

**Absolute Return Bull/Bear ETF Strategy**

Seeks to maximize total return through Treasury bond appreciation as well as income generation from Treasury bond holdings. The strategy seeks to obtain its objective by utilizing a proprietary Interest Rate Forecasting Process. Our process takes a *Sum of Evidence* approach in an attempt to forecast interest rates on a monthly basis. Our research indicates that a monthly horizon provides an opportunity to capture the general cyclical trend in interest rates while allowing for the potential to benefit from short term deviations in the trend. The strategy benchmark is the Barclays Capital U.S. Treasury Index.

**Principal Strategies**

Under normal market conditions, the Strategy intends to invest in the following manner:

- At least 80% of its net assets, plus borrowings for investment purposes, will be invested in U.S. Treasury related ETFs;
- The Strategy expects to maintain an average duration between -12 and 12 years\*. American Independence determines the duration based upon its proprietary Interest Rate Scorecard (“Scorecard”). The Scorecard is a highly disciplined, quantitative approach that is statistically based and employed to determine the interest rate outlook. The Scorecard is grounded on the basic economic theory of interest rate behavior and combines measures of economic growth, e.g., employment growth, inflationary expectations, e.g., the behavior of precious metals prices and the recent trend in interest rates. The Scorecard seeks to identify both the cyclical path of interest rates as well as short term deviations away from it. The rate outlook is reviewed on a monthly basis to manage risk and take advantage of short term deviations from the general trend in rates. The duration of the portfolio is adjusted monthly to reflect the interest rate outlook from the Scorecard which falls in one of five categories. If the Scorecard indicates higher rates, American Independence will position the portfolio with a duration of roughly -12 years\* (implemented typically through the use of inverse ETFs) if the outlook is Fully Bearish; or 50% of the benchmark (about 3.0 years\*) if it is Moderately Bearish. If the Scorecard is indeterminate, American Independence will match the duration of the benchmark (about 6.0 years\*). If the Scorecard signals lower rates, American Independence will position the portfolio with a duration of 150% of the benchmark (about 9.0 years\*) if Moderately Bullish; or 200% of the benchmark (about 12 years\*) if the outlook is Fully Bullish. By using leveraged ETFs, the Strategy could possibly sustain a substantial loss in volatile markets; and
- 100% of the Strategy’s total assets will be invested in U.S. dollar-denominated securities.

Note: \*All Duration Ranges are approximate and would change based on the duration of the benchmark. Accounts can be customized based on client preferences, potentially.

**Main types of securities the Strategy may hold:**

- Treasury related ETFs including leveraged ETFs
- Short term money market securities, including cash, money market mutual funds and Treasury Bills

**Large Cap Value Strategy**

The strategy’s investment objective is to provide investors with long-term capital appreciation. The strategy benchmark is the Russell 1000 Value Index.

**Principal Strategies**

The Strategy uses a value oriented approach to selecting stocks by identifying stocks that it considers undervalued (i.e., priced less than its real worth). Under normal market conditions, the Strategy intends to invest in the following manner:

- At least 80% of its net assets, plus borrowings for investment purposes, in common and/or preferred stocks;

- At least 65% of its total assets in such stocks issued by U.S. companies with large market capitalizations (over \$5 billion) at the time of purchase and up to 35% of its total assets in companies with small- to mid-sized market capitalizations; and
- May also invest in securities that are convertible into common stock and preferred stock.

**Main types of securities the Strategy may hold:**

- Common stocks of companies traded on major stock exchanges
- Preferred stocks
- Short term money market securities
- Exchange-traded funds (“ETFs”); to the extent the Strategy invests in ETFs the Strategy will pay the proportionate share of the underlying expenses of the ETF.

**Large Cap Growth Strategy**

The strategy’s investment objective is to provide investors with long-term capital appreciation. The strategy benchmark is the Russell 1000 Growth Index.

**Principal Strategies**

The portfolio manager looks for stocks of companies he believes will increase in value over time. In implementing this strategy, the portfolio manager makes his investment decisions based primarily on his analysis of individual companies, rather than on broad economic forecasts. Management of the strategy is based on the belief that, over the long term, stock price movements follow growth in earnings, revenues and/or cash flows.

The portfolio manager uses a variety of analytical research tools and techniques to identify the stocks of larger-sized companies that meet his investment criteria. Under normal market conditions, the strategy’s portfolio will primarily consist of securities of companies demonstrating business improvement. Analytical indicators helping to identify signs of business improvement could include accelerating earnings or revenue growth rates, increasing cash flows, or other indications of the relative strength of a company’s business. These techniques help the portfolio manager buy or hold the stocks of companies he believes have favorable growth prospects and sell the stocks of companies whose characteristics no longer meet those criteria.

- At least 80% of its net assets, plus borrowings for investment purposes, in common and/or preferred stocks;
- At least 80% of its total assets in such stocks issued by U.S. companies with large market capitalizations (over \$5 billion) at the time of purchase;
- Up to 20% of its total assets in such stocks issued by U.S. companies with mid to small market capitalizations (less than \$5 billion) at the time of purchase; and
- May also invest in securities that are convertible into common stock and preferred stock.

**Main types of securities the Fund may hold:**

- Common stocks of companies traded on major stock exchanges
- Preferred stocks

- Short term money market securities
- Exchange-traded funds (“ETFs”); to the extent the Fund invests in ETFs the Fund will pay the proportionate share of the underlying expenses of the ETF

**Small Cap Growth Strategy**

The strategy’s investment objective is to provide investors with long-term capital appreciation. The strategy benchmark is the Russell 2000 Growth Index

**Principal Strategies**

Under normal market conditions, the Strategy will invest at least 80% of its assets in small cap companies. The portfolio manager considers small cap companies to include those with a market capitalization that does not exceed that of the largest company in the Russell 2000 Growth Index.

The portfolio manager looks for stocks of smaller-sized companies he believes will increase in value over time, using an investment strategy developed by American Independence. In implementing this strategy, the portfolio manager makes his investment decisions based primarily on the analysis of individual companies, rather than on broad economic forecasts. Management of the Strategy is based on the belief that, over the long term, stock price movements follow growth in earnings and revenues. The portfolio manager’s principal analytical technique involves the identification of companies with earnings and revenues that are not only growing, but growing at an accelerating pace. This includes companies whose growth rates, although still negative, are less negative than prior periods, and companies whose growth rates are expected to accelerate. In addition to accelerating growth, the Strategy also may consider companies whose stocks demonstrate price strength relative to their peers. These techniques help the portfolio manager buy or hold the stocks of companies he believes have favorable growth prospects and sell the stocks of companies whose characteristics no longer meet their criteria.

- At least 80% of its net assets, plus borrowings for investment purposes, in common and/or preferred stocks;
- At least 80% of its total assets in such stocks issued by U.S. companies with small market capitalizations (between \$100 million and \$2.3 billion) at the time of purchase; and
- May also invest in securities that are convertible into common stock and preferred stock.

**Main types of securities the Strategy may hold:**

- Common Stocks of companies traded on major stock exchanges
- Preferred stocks
- Short term money market
- Exchange-traded funds (“ETFs”); to the extent the Strategy invests in ETFs the Strategy will pay the proportionate share of the underlying expenses of the ETF

**Risk of Loss**

**Principal Risks** - Before investing in any of the Strategies, you should carefully consider your own investment goals, the amount of time you are willing to leave your money invested and the amount of risk you are willing to take. The Strategies are subject to management risk and may not achieve their objectives if American Independence’s expectations regarding particular

securities or markets are not met. A summary of the principal risks of investing in the Strategies can be found below:

*Banking Industry Risk:* Investing in bank obligations exposes a Strategy to risks associated with the banking industry, such as interest rate and credit risks.

*Bond Market Risk:* Some of the securities or other investment companies in which the Strategy may invest are invested in a broad range of bonds or fixed-income securities. To the extent that a security or other investment company is so invested, the return on, and value of, an investment will fluctuate with changes in interest rates. Typically, when interest rates rise, the fixed-income security's market value declines (interest-rate risk). Conversely, when interest rates decline, the market value of a fixed-income security rises. A fixed-income security's value can also be affected by changes in the security's credit quality rating or its issuer's financial condition (credit quality risk). This means that the underlying company may experience unanticipated financial problems causing it to be unable to meet its payment obligations. Other factors may affect the market price and yield of fixed-income securities, including investor demand, changes in the financial condition of issuers of securities, government fiscal policy and domestic or worldwide economic conditions.

*Derivatives Risk:* Derivatives are subject to the risk of changes in the market price of the security, credit risk with respect to the counterparty to the derivative instrument, and the risk of loss due to changes in interest rates. The use of certain derivatives, including futures contracts, may also have a leveraging effect, which may increase the volatility of the Strategy. The use of derivatives may reduce returns for the Strategy.

*Duration Risk:* Duration is a measure of the sensitivity of a security's price to changes in interest rates. The longer a security's duration, the more sensitive it will be to changes in interest rates. Similarly, a Strategy with a longer average Strategy duration will be more sensitive to changes in interest rates than a Strategy with a shorter average Strategy duration. By way of example, the price of a bond Strategy with duration of five years would be expected to fall approximately 5% if interest rates rose by one percentage point.

*Equity Market Risk:* The market value of a security may move up or down, sometimes rapidly and unpredictably. These fluctuations may cause a security to be worth less than the price originally paid for it, or less than it was worth at an earlier time. Market risk may affect a single issuer, industry, sector of the economy or the market as a whole.

*Exchange Traded Funds ("ETF or ETFs") Risks:* The following are various types of risks to which the Strategy is subject based the certain types of ETFs in which the Strategy will be investing.

*General ETF Risk:* The cost to a shareholder of investing in the Strategy may be higher than the cost of investing directly in ETF shares and may be higher than other strategies that invest directly in equities. You will indirectly bear fees and expenses charged by the ETFs in addition to the Strategy's direct fees and expenses.

*Swap or Counterparty Risk:* The inverse ETFs employed in the strategy utilize swaps and may entail certain risks, including, in some or all cases, aggressive investment techniques (futures contracts, options, forward contracts, swap agreements and similar instruments), correlation or inverse correlation, leverage and market price variance, all of which can increase volatility and decrease performance. The ETFs are non-diversified and may be more susceptible to single issuer risk than a more diversified Strategy.

*Tracking Error Risk:* There is no assurance that the ETFs the Strategy may utilize will achieve their objectives. Additionally, since many ETFs are managed to reflect daily price change objectives, there will be a compounding effect if the ETFs are held for longer than one day.

*High Portfolio Turnover Rate Risk.* High portfolio turnover rates could generate capital gains that must be distributed to shareholders as short-term capital gains taxed at ordinary income rates (currently as high as 35%) and could increase brokerage commission costs. To the extent that the Strategy experiences an increase in brokerage commissions due to a higher turnover rate, the performance of the Strategy could be negatively impacted by the increased expenses incurred by the Strategy.

*Interest Rate Risk.* Debt securities are subject to the risk that the market value will decline because of rising interest rates. A rise in interest rates generally means a fall in bond prices and, in turn, a fall in the value of your investment. Debt securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than debt securities with shorter durations.

*Leveraging Risks.* Leverage involves special risks. There is no assurance that a Strategy will leverage its portfolio or, if it does, that a Strategy's leveraging strategy will be successful. The Strategy may be more volatile than if the Strategy had not been leveraged because the leverage tends to exaggerate any effect of the increase or decrease in the value of the Strategy's portfolio securities. The Strategy cannot assure you that the use of leverage will result in a higher return on your investment, and using leverage could result in a net loss on your investment. Registered investment companies such as the Strategy are limited in their ability to engage in short selling and derivative transactions and are required to identify and earmark assets to provide asset coverage for short positions and derivative transactions. The Strategy's transactions in futures contracts, swaps and other derivatives could also affect the amount, timing and character of distributions to shareholders which may result in the Strategy realizing more short-term capital gain and ordinary income subject to tax at ordinary income tax rates than it would if it did not engage in such transactions, which may adversely impact the Strategy's after-tax returns.

*Management Style Risk.* The ability of the Strategy to meet its investment objective is directly related to the adviser's investment strategies for the Strategy. The value of your investment in the Strategy may vary with the effectiveness of American Independence's research, analysis and asset allocation among portfolio securities. If American Independence's investment strategies do not produce the expected results, your investment could be diminished or even lost.



*Non-Diversified Strategy Risk.* Some of the Strategies may be “non-diversified” and therefore not required to meet certain diversification requirements under federal laws. The Strategy may invest a greater percentage of its assets in the securities of an issuer. However, a decline in the value of a single investment could cause the Strategy’s overall value to decline to a greater degree than if the Strategy held a more diversified portfolio.

*Recent Market Events Risk.* In the most recent few years, U.S. and international markets experienced significant volatility. The fixed income markets had experienced substantially lower valuations, reduced liquidity, price volatility, credit downgrades, and increased likelihood of default and valuation difficulties. Concerns have spread to domestic and international equity markets. In some cases, the stock prices of individual companies have been negatively impacted even though there may be little or no apparent degradation in the financial conditions or prospects of that company. As a result of this significant volatility, many of the risks herein associated with an investment in a Strategy may be increased. The U.S. government has taken numerous steps to alleviate these market concerns. However, there is no assurance that such actions will be successful. Continuing market problems may have adverse effects on the Strategy.

*Small- and Medium-Sized Companies Risk.* Investing in securities of small- and medium-sized companies, even indirectly, may involve greater volatility than investing in larger and more established companies because they can be subject to more abrupt or erratic share price changes than larger, more established companies. Small companies may have limited product lines, markets or financial resources and their management may be dependent on a limited number of key individuals. Securities of those companies may have limited market liquidity and their prices may be more volatile. Although diminished in large-sized companies, the risks of investing in all companies include business failure and reliance on erroneous reports. Small- and medium-sized companies often have narrower markets and limited managerial and financial resources compared to larger, more established companies. You should expect that the value of the Strategy’s shares will be more volatile than a Strategy that invests exclusively in large-sized companies.

*U.S. Government Obligations Risk.* U.S. Government obligations include securities issued or guaranteed as to principal and interest by the U.S. Government, its agencies or instrumentalities, such as the U.S. Treasury. Payment of principal and interest on U.S. Government obligations may be backed by the full faith and credit of the U.S. or may be backed solely by the issuing or guaranteeing agency or instrumentality itself. In the latter case, the investor must look principally to the agency or instrumentality issuing or guaranteeing the obligation for ultimate repayment, which agency or instrumentality may be privately owned. There can be no assurance that the U.S. Government would provide financial support to its agencies or instrumentalities (including government-sponsored enterprises) where it is not obligated to do so.

Investments in the Strategies are not deposits or obligations of, or guaranteed or endorsed by, any bank and are not insured or guaranteed by the FDIC, the Federal Reserve Board or any other government agency.

You could lose money by investing in a Strategy.

**Item 9 – Disciplinary Information**

American Independence does not have any legal or disciplinary disclosures to make.

**Item 10 – Other Financial Industry Activities and Affiliations****Broker-Dealer Affiliation.**

Neither American Independence nor any of its affiliates are registered, or have a registration pending, as a broker-dealer.

**Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Advisor.**

Neither American Independence, nor any of its affiliates, is registered as a futures commission merchant, commodity pool operator or commodity trading advisor.

**Other Financial Industry Activities or Affiliations.**

American Yellowstone Advisors, LLC (“AYA”) is a jointly owned affiliate of American Independence and Yellowstone Partners, LLC (“Yellowstone”). Yellowstone is a registered investment advisory firm headquartered in Idaho Falls, ID. Yellowstone has offices in Salt Lake City, UT, Casper, WY, New York, NY, and Tacoma. AYA currently serves as the sub-advisor for several of American Independence’s mutual funds, as well as Strategies of separately managed accounts. A separate ADV Part 2A and 2B is available for AYA. If you would like a copy of the AYA ADV Part 2A and 2B please contact the Chief Compliance Officer at 646-747-3475.

American Independence Capital Management, LLC (“AICM”) is a jointly owned affiliate of American Independence and Miller & Jacobs Capital. Miller & Jacobs Capital had previously been the sub-advisor to American Independence’s sponsored mutual funds. At the present time, AICM is not conducting any business.

American Independence Global, LLC is an affiliate of American Independence established to explore distribution opportunities for its investment styles in non-U.S. locations.

**Selection of Other Investment Advisers.**

American Independence does not receive compensation directly or indirectly from Advisers that it may recommend or select for clients.

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

To avoid any potential conflicts of interest involving personal trades, American Independence has adopted a Code of Ethics (the “Code”), which includes a formal code of ethics and insider trading policies and procedures. The Code requires, among other things, that employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of the Applicant above one's own personal interests;
- Adhere to the fundamental standard that you should not take inappropriate advantage of your position;
- Avoid any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on yourself and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve your professional competence and strive to maintain and improve the competence of other investment professionals.
- Comply with applicable provisions of the federal securities laws.

The Code also requires employees to report personal securities transactions on at least a quarterly basis, and provide the Applicant with a summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest.

American Independence's Code and Insider Trading Policy are available upon request by contacting American Independence's Chief Compliance Officer at 646-747-3475.

American Independence, or its employees, may purchase or sell for themselves similar or different securities than are recommended to American Independence clients. American Independence has implemented an investment policy relative to personal securities transactions of its employees. This investment policy is part of American Independence's overall Code of Ethics, as described above, which serves to establish a standard of business conduct for all of American Independence's supervised persons. American Independence's personal trading policy is based upon fundamental principles of openness, integrity, honesty and trust. To prevent conflicts of interest, all personal trades made by American Independence's employees are reviewed by supervisory personnel. Additionally, American Independence's policies and procedures prohibit the misuse of material nonpublic information and are designed to prevent insider trading by any employee.

### **Political Contributions**

It is the policy of American Independence to not make, and to prohibit its employees from making, any political or charitable contributions for the purpose of influencing an American Independence client or potential client, a public official or his or her agency. However, employees may make personal political or charitable contributions in accordance with the requirements and restrictions of applicable law and American Independence's policies. To help

ensure compliance with SEC rules, and the many state and local pay-to-play rules, all American Independence employees must pre-clear and obtain prior approval from the Chief Compliance Officer before they (or their spouse or their dependent children) make any contributions (i.e., any monetary contribution or contribution of goods or services) to a political candidate, government official, political party or political action committee.

## **Item 12 – Brokerage Practices**

### **Factors Considered in Recommending Broker-Dealers**

Clients generally delegate authority to American Independence to designate brokers and dealers or electronic communications networks or crossing networks to effect transactions. Electronic communications networks ("ECNs") permit the execution of trades electronically, without necessarily utilizing an exchange. Crossing networks permit the trading of securities directly between clients of American Independence and other institutional investors. In selecting brokers and dealers or ECNs or crossing networks, American Independence will consider the full range and quality of services.

Commission rates are one factor considered. Other factors may include: price, facilities, reliability and financial responsibility. When relevant, American Independence also may consider the ability of the broker or dealer or network to effect particular securities transactions, especially with regard to such aspects as timing, order size and execution of orders. Research services provided by that broker or dealer or network to American Independence (and American Independence's arrangements relating thereto) that are expected to enhance American Independence's general portfolio management capabilities may also be considered notwithstanding the fact that a client may not be the beneficiary of those services.

While American Independence generally seeks the best price in placing orders with brokers or dealers or networks, a client may not necessarily be paying the lowest price available. Some equity securities are traded in principal transactions. Prices paid to dealers in these transactions generally include a "spread," which is the difference between the prices at which the dealer is willing to purchase and sell a specific security. American Independence may invest in securities traded in the over-the-counter market and, in those transactions, will engage primarily in transactions directly with the dealers who make markets in these securities, unless a better price or execution could be obtained by using a broker. American Independence, at its discretion, may cause a client to pay a commission for effecting a transaction for that client in excess of the amount another broker or dealer or network would have charged for effecting that transaction. This may be done when American Independence has determined in good faith that the commission is reasonable in relation to the value of the execution, brokerage and/or research services provided by the broker or dealer or network to American Independence.

American Independence's arrangements for the receipt of research services from brokers or dealers or networks may create conflicts of interest, in that American Independence has an incentive to choose a broker or dealer or network that provides research services, instead of one that does not, but charges a lower commission rate. American Independence does not allocate the relative costs or benefits of research among its clients because American Independence believes that the research received is, in the aggregate, of assistance in fulfilling American Independence's

overall responsibilities to its clients. The research may be used to service American Independence's accounts other than those for which trades are executed by the brokers or dealers or networks providing the research. American Independence receives a variety of research services and information on many topics, which it uses in connection with its management responsibilities with respect to the various accounts over which it exercises investment discretion or otherwise provides investment advice. These topics include: issuers, industries, securities, economic factors and trends, portfolio strategy, the performance of accounts, statistical information, market data, earnings estimates, credit analysis, pricing, risk measurement analysis, and other information which may affect the U.S. or foreign economies, security prices, or management of the portfolio. The research services may include written reports, market news wires, statistical research and analysis, earnings estimates, fundamental data, pricing services, educational seminars, subscriptions, portfolio attribution and monitoring services, and computer hardware, software and received in the form of written reports, online services, telephone contacts and personal meetings with security analysts, economists, corporate and industry spokespersons and government representatives. In many cases, research services are generated by third parties and are provided by the brokerage firm or network to which the commissions are paid. Services which are partly research and partly not research may be allocated between research and non-research, with the portion allocated to research being paid for through commission dollars, and American Independence making a cash payment attributable to the non-research aspect of the service. Research services received from brokers and dealers and networks are supplemental to American Independence's own research efforts and, when utilized, are subject to internal analysis before being incorporated by American Independence into its investment process. As a practical matter, it would not be possible for American Independence to generate all of the information presently provided to it by brokers and dealers and networks. Although American Independence may receive certain research or execution services in connection with principal transactions, American Independence will not purchase securities at a higher price or sell securities at a lower price than would otherwise be paid if no weight was attributed to the research services provided by the executing dealer. American Independence may designate any broker or dealer to receive selling concessions, discounts or other allowances or may otherwise deal with any broker or dealer in connection with the acquisition of securities in underwritings.

American Independence may also engage in agency transactions in over the counter equity securities in return for the types of research and execution services discussed above. These transactions are entered into only pursuant to procedures that are designed to ensure that the transaction (including commissions) is at least as favorable to the client as it would have been if affected directly with a market-maker that did not provide research or execution services.

**Commission Rates**

The client may be charged a brokerage commission instead of a dealer's mark-up or mark-down on over-the-counter equity transactions. For those client accounts that direct American Independence to execute all or a portion of account transactions through one or more named broker-dealer(s), commission rates are generally determined by the client and broker-dealer. When a client directs American Independence to use a particular broker-dealer: (a) American Independence may not seek to negotiate the commission rates, (b) the client may be unable to obtain a more favorable price as a result of transaction volume, since the directed transactions

may not be included in any aggregation of other client orders, (c) the client may pay higher transaction costs, including commissions, than it otherwise would have had it not designated a particular broker-dealer, and (d) while American Independence may utilize a variety of procedures for executing directed transactions, American Independence may execute directed transactions after executing transactions in the same security or securities for other clients which do not specify a particular broker-dealer and sometimes execute the directed transactions before the non-directed transactions. For these reasons, among others, if a client has directed American Independence to use a particular broker/dealer, the client may receive a less favorable execution.

**Aggregation and Allocation of Orders**

If American Independence believes that the purchase or sale of the same security is in the best interest of more than one client, it may, but is not obligated to, aggregate the securities to be sold or purchased to obtain favorable execution or lower brokerage commissions, to the extent permitted by applicable laws and regulations. At the end of the day, American Independence will generally obtain an average price for all orders that were executed through a single broker. The average price will be indicated on the confirmation of the trade sent to the client. American Independence may provide investment advisory services to some accounts over which it does not have investment discretion. These accounts may not receive executions as favorable as those received by American Independence discretionary accounts, because of the time which is sometimes required for American Independence to obtain a non-discretionary client's approval for a trade. When the purchase or sale of a security is recommended, the manager will make a good faith effort to notify the non-discretionary accounts promptly to seek direction. However, the manager need not delay placing orders for discretionary accounts while doing so. Although American Independence may believe that it is both desirable and suitable that a particular security or other investment be purchased or sold for the account of more than one of its client's, there may be instances when there is a limited supply or demand for that security or investment. In these instances, American Independence generally allocates the opportunity to purchase or sell that security or investment among client accounts according to client needs and objectives. While American Independence seeks to assure fair and equitable treatment over time, there can be no assurance of equality of treatment among all clients or that any one investment will be proportionally allocated among clients according to any particular or predetermined standards or criteria. Where, because of prevailing market conditions, it is not possible to obtain the same price or time of execution for all of the securities or other investments purchased or sold for a client, transactions for a client may be reported with the average price of these transactions. From time to time, American Independence may reallocate securities from one client account to a second client account in order to correct an error. American Independence will make the reallocation prior to settlement of the trade, and only if the reallocation represents a legitimate investment decision on behalf of each account involved. It is possible that American Independence will be trading for more than one client account with differing performance and risk objectives and that this may lead to a situation where one account is buying the same security that another account is selling. American Independence will use its best efforts to appropriately manage the potential conflict of interest by using different trading strategies.

American Independence as a matter of policy utilizes research, research-related products and other brokerage services on a soft dollar commission basis. American Independence's soft dollar policy is to ensure that each such product or service falls within Section 28(e) safe harbor and to

make a good faith determination of the value of the research product or services in relation to the commissions paid. American Independence also maintains soft dollar arrangements for those research products and services which assist American Independence in its investment decision-making process.

In the event American Independence obtains any mixed-use products or services on a soft dollar basis, American Independence will make a reasonable allocation of the cost between that portion which is eligible as research or brokerage services and that portion which is not so qualified. The portion eligible as research or other brokerage services will be paid for with discretionary client commissions and the non-eligible portion, e.g., computer hardware, accounting systems, etc., which is not eligible for the Section 28(e) safe harbor, will be paid for with American Independence's own funds. For any mixed-use products or services, American Independence will maintain appropriate records of its reviews and good faith determinations of its reasonable allocations. It is American Independence's current policy, however, that it will only utilize soft dollar products or services that may reasonably be considered as research. American Independence periodically reviews American Independence's soft dollar arrangements, budget, allocations and monitors American Independence's policy.

### **Selection of Brokers for Client Transactions**

#### *Research and Other Soft Dollar Benefits*

American Independence's policy is to seek the best execution available for each transaction. Best execution is not limited to obtaining the lowest commissions but also involves seeking the most favorable terms for a transaction under the circumstances. Receipt of products or services other than brokerage or research is generally not a factor in determining which brokers we trade with.

We consider the amount and nature of research services provided by brokers, as well as the extent to which we rely on such services, and attempt to allocate a portion of our trades on the basis of that consideration. In no case will we make binding commitments as to the level of trades we will allocate to a broker, nor will we commit to pay cash if an informal target is not met.

Subject to the criteria of Section 28(e) of the Securities and Exchange Act of 1934, we may pay a broker a higher commission than another broker might have charged for the same trade, in recognition of the value of the brokerage and research services provided by or through the broker. We believe it is important to our investment decision-making processes to have access to independent research.

Research furnished by brokers may be used to service any or all of our clients and may be used in connection with accounts other than those making the payment to the broker providing the research, as permitted by Section 28(e). Trading volume generated by equity clients may result in services that are of benefit only to fixed-income clients and vice versa.

### **Aggregation of Client Orders**

When possible and in our clients' best interest, we aggregate orders for the purchase or sale of the same security across multiple client accounts. 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 the aggregate order size is greater than volume permits, which results in a partial execution for any given day, we allocate those securities in proportion to each account.

**Brokerage for Client Referrals**

American Independence does not take client referrals into account when determining which brokers to use for trade execution.

**Directed Brokerage**

A client may instruct us as to which brokers to be utilized for trades in their account. In following a client's direction to use a particular broker to execute either all or part of your trades, you must be aware that, in so doing, our ability to follow our normal trade allocation policies, obtain volume discounts on bunched orders, and/or achieve best execution may be compromised.

**Aggregation of Client Trades**

If American Independence believes that the purchase or sale of the same security is in the best interest of more than one client, it may, but is not obligated to, aggregate the securities to be sold or purchased to obtain favorable execution or lower brokerage commissions, to the extent permitted by applicable laws and regulations. At the end of the day, American Independence will generally obtain an average price for all orders that were executed through a single broker. The average price will be indicated on the confirmation of the trade sent to the client. American Independence may provide investment advisory services to some accounts over which it does not have investment discretion. These accounts may not receive executions as favorable as those received by American Independence's discretionary accounts, because of the time which is sometimes required for American Independence to obtain a non-discretionary client's approval for a trade. When the purchase or sale of a security is recommended, the manager will make a good faith effort to notify the non-discretionary accounts promptly to seek direction. However, the manager need not delay placing orders for discretionary accounts while doing so.

Although American Independence may believe that it is both desirable and suitable that a particular security or other investment be purchased or sold for the account of more than one of its client's, there may be instances when there is a limited supply or demand for that security or investment. In these instances, American Independence generally allocates the opportunity to purchase or sell that security or investment among client accounts according to client needs and objectives. While American Independence seeks to assure fair and equitable treatment over time, there can be no assurance of equality of treatment among all clients or that any one investment will be proportionally allocated among clients according to any particular or predetermined standards or criteria. Where, because of prevailing market conditions, it is not possible to obtain the same price or time of execution for all of the securities or other investments purchased or sold for a client, transactions for a client may be reported with the average price of these transactions. From time to time, American Independence may reallocate securities from one client account to a second client account in order to correct an error. American Independence will make the reallocation prior to settlement of the trade, and only if the reallocation represents a legitimate investment decision on behalf of each account involved. It is possible that American Independence will be trading for more than one client account with differing performance and



risk objectives and that this may lead to a situation where one account is buying the same security that another account is selling. American Independence will use its best efforts to appropriately manage the potential conflict of interest by using different trading strategies.

### **Item 13 – Review of Accounts**

American Independence periodically reviews client accounts and/or provides reports to clients regarding their accounts. The nature and frequency of these reviews, as well as the frequency and content of these reports, is discussed in more detail below.

#### **Client Account Review**

The frequency, depth, and nature of reviews are often determined by negotiation with individual clients pursuant to the terms of each client's written agreement or by the mandate selected by the client and the particular needs of each client. Reviews are typically conducted by portfolio management and account management personnel. American Independence holds periodic staff meetings to determine the timing, level and focus of specific client reviews and to review the appropriateness of the review already completed.

Investor and other SMA program accounts (and related Model Guidelines and target portfolios) are reviewed on an ongoing basis by American Independence. Reviews are conducted with the help of computer support systems on an account-by-account basis and on security-holdings and performance-exception bases. Reviews are conducted to determine if an account's holdings are consistent with the client's selected investment strategy and restrictions imposed by the client.

#### **Frequency and Content of Client Account Reports**

The frequency and content of reports for clients vary according to the particular needs of each client and the agreement between the client and their financial adviser. Such reports generally contain information with respect to portfolio holdings, transactions and performance. Reporting for SMA program clients varies according to the service or program in which the client is enrolled. Clients in SMA programs sponsored by other firms should contact the Sponsors for information regarding reports provided to their program clients.

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

American Independence does not compensate any person or third party solicitor for client referrals.

### **Item 15 – Custody**

Periodic account statements are provided directly from the broker-dealer, bank or other custodian to the client. While American Independence monitors client accounts frequently and carefully, we encourage clients to review each account statement carefully.

**Item 16 – Investment Discretion**

As a general rule, American Independence receives discretionary investment authority from its clients at the outset of an advisory relationship. Depending on the terms of the applicable agreement, American Independence's authority may include the ability to select brokers and dealers through which to execute transactions on behalf of its clients, and to negotiate the commission rates, if any, at which transactions are effected. In making decisions as to which securities are to be bought or sold and the amounts thereof, each adviser is guided by the mandate selected by the client and any client-imposed guidelines or restrictions. Unless American Independence and the client have entered into a non-discretionary arrangement, American Independence generally is not required to provide notice to, consult with, or seek the consent of its clients prior to engaging in transactions. Please see Item 12 ("Brokerage Practices") for more information.

**Item 17 – Voting Client Securities**

It is the policy of American Independence to consider and vote each proxy proposal in the best interests of clients and account beneficiaries with respect to securities held in the accounts of clients for whom American Independence provides discretionary investment management services and have authority to vote their proxies.

American Independence may vote proxies as part of its authority to manage, acquire and dispose of account assets. American Independence will not vote proxies if the advisory agreement does not provide for American Independence to vote proxies or the "named fiduciary" for an account has explicitly reserved the authority for itself.

When voting proxies for client accounts, American Independence's primary objective is to make voting decisions solely in the best interests of clients and account beneficiaries. In fulfilling its obligations to clients, American Independence will act in a manner deemed to be prudent and diligent and which is intended to enhance the economic value of the underlying securities held in client accounts. If appropriate to do so, AIFS may employ an independent service provider to vote a proxy or to advise in the voting of a proxy. In certain situations, a client or its fiduciary may provide American Independence with a statement of proxy voting policy. In these situations, American Independence will generally seek to comply with such policy to the extent it would not be inconsistent with the fiduciary responsibility of American Independence.

**Item 18 – Financial Information**

American Independence does not have any adverse financial information to disclose.