

**Item 1 – Cover Page**

RiverFront Investment Group, LLC

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January 25, 2012

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

***This brochure provides information about the qualifications and business practices of RiverFront Investment Group, LLC. If you have any questions about the contents of this brochure, please contact us at 804-549-4800 and / or [info@riverfrontig.com](mailto:info@riverfrontig.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any State Securities Authority.***

***Additional information about RiverFront is available at the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (click on the link, select “Investment Adviser Firm” and type in our firm name). Results will provide you both Part 1 and 2 of our Form ADV.***

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

## Item 2 – Material Changes

### 1. Material Changes:

The last annual update of the Form ADV Part 2 was 3/31/2011. Since the last update, RiverFront has made several material changes to our business; they are listed briefly below, and are disclosed more fully in the following sections. The items listed in bold are the changes made to this most recent version of our ADV 2:

1. **As of January 1, 2012, the Firm changed the names of its strategies as follows:**
  - a. **RiverFront Long-term Growth Strategies became Global Growth Strategies**
  - b. **RiverFront Moderate Growth Strategies became Global Allocation Strategies**
  - c. **RiverFront Long-Term Growth and Income Strategies became Global Equity Income Strategies.**
  - d. **RiverFront Conservative Growth & Income Strategies became Conservative Income Builder Strategies.**

Item 8 of this Brochure reflects these changes as well as some other general updates to our investment strategy descriptions.

2. Inception of a Fixed Income Portfolio (July 1, 2011) for our Institutional Strategies.
3. Added disclosure for the differences between UMA models and SMA models in Item 4 – Advisory Business.
4. Revisions were made to our disclosures regarding the use of soft dollars (Item 12). Disclosures now reflect that we use soft dollar benefits to service accounts that do not necessarily pay for the benefits (via soft dollar commissions). We do not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.
5. At this time, RiverFront does not allow clients to directly engage RiverFront as their investment advisor. All RiverFront investors must go through their financial advisor or a wrap-fee Program Sponsor. Language in Item 5 that referred to clients engaging RiverFront directly was deleted to accurately reflect the services RiverFront provides.

6. Any client-imposed investment restrictions involving a security held in RiverFront's model portfolio will be prorated across the remainder of the model holdings. Previously, any investment restrictions involving model holdings were held in cash. This change is reflected in Item 16.
  7. Removal of the "Other Services Provided by RiverFront" section in Item 4. RiverFront does not currently offer these services.
  8. New mailing address and location for RiverFront.
2. In future filings, this section of the Brochure will address only those "material changes" that have been incorporated since our last delivery or posting of this document on the SEC's public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).
  3. We may, at any time, update this Brochure and either send you a copy or offer to send you a copy (either by electronic means [email] or in hard copy form).
  4. If you would like another copy of this Brochure, please download it from the SEC website as indicated above or you may contact our Chief Compliance Officer, [Wendy Smailes](#) at 804-549-4814 or [wsmailles@riverfrontig.com](mailto:wsmailles@riverfrontig.com).

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## **Item 4 – Advisory Business**

RiverFront Investment Group, LLC (“RiverFront” or “We”) is an independent SEC-registered investment advisor located in Richmond, Virginia. RiverFront was formed in December 2007 and registered with the SEC in February 2008. It is owned primarily by its employees through RiverFront Investment Holding Group, LLC, the holding company for RiverFront. Baird Financial Corporation (BFC) is an indirect owner of RiverFront with 30% ownership. BFC is the parent company of Robert W. Baird & Co. Incorporated (“Baird”), a registered broker/dealer and investment adviser. Private Advisors Coinvestment Fund, LP, has a 10% ownership interest.

RiverFront offers investment supervisory services on a discretionary basis via wrap platforms at several broker/dealers throughout the country. We primarily manage portfolios for individuals, trust, retirement accounts (IRAs, pensions and profit sharing plans), investment companies, corporations and other institutions that are referred to us by Financial Services firms or through Financial Advisors.

RiverFront maintains model portfolios, based on certain established guidelines, for both Separately Managed Accounts (SMAs) and Unified Managed Accounts (UMAs). A UMA is similar to a SMA, but can also incorporate every investment vehicle in an investor’s portfolio into one account. While our models for SMAs and UMAs may perform similarly, there are differences between the models. For example, our UMA models use ETFs for the fixed income portion of the strategy, whereas the SMA models may use individual fixed income securities to accomplish the same goals. This variance may cause the two models to have different performance figures.

### **Research Subscription Services**

RiverFront also provides impersonal investment advice in the form of research publications covering specific securities, securities markets and the economy to institutions and individuals for a subscription fee.

Although the research subscription services are generally provided by the same professionals responsible for managing client portfolios, the investment advice provided in RiverFront’s research publications should not be considered personalized investment advice as it is not tailored for any specific person or situation.

The specific securities discussed in the research publications may or may not be included in, or considered for investment in RiverFront’s discretionary client portfolios. In addition, RiverFront may publish research about securities that are not included in clients’ discretionary portfolios at the time of the publication but that may be subsequently considered for investment by RiverFront. It may appear that RiverFront has a potential conflict of interest between its portfolio management and its publication of research.

## **Wrap Fee Programs**

RiverFront has been retained as an investment manager under a number of wrap fee program arrangements sponsored by affiliated and unaffiliated broker/dealers ("Program Sponsors"). The list of Program Sponsors includes, but is not limited to: Robert W. Baird & Co. Incorporated (an affiliate of RiverFront), Raymond James & Associates, Inc., Morgan Stanley Smith Barney, LLC, RBC Wealth Management, Janney Montgomery Scott, Merrill Lynch, Inc., UBS Financial Services Inc., and Pershing, Inc.

Under such wrap fee arrangements, Program Sponsors may assist clients with the selection of RiverFront (or may have the discretion to select RiverFront) to manage the assets in accounts maintained at the Program Sponsor, collect RiverFront's investment advisory fee on behalf of the clients, monitor and evaluate RiverFront's performance, and provide custodial services for the client's assets. Additionally, RiverFront may provide advice and consulting services in connection with asset allocation strategies and solutions to be offered by Program Sponsors to their clients.

If selected to manage the assets in a client account maintained by the Program Sponsor, RiverFront will provide investment supervisory services on a discretionary basis to that client. Each client account will be managed generally in accordance with one or more model portfolios selected by the client, which may be modified to meet the client's investment objectives, strategies and needs. As deemed appropriate by RiverFront pursuant to its duty to seek best execution, RiverFront will often place orders with brokers or dealers other than the Program Sponsor; in such instances, brokers or dealers may impose commissions or mark-ups on those orders, which are charged to the client's account. Clients are not charged a commission on trades executed through the Program Sponsor.

Clients who select RiverFront to manage their assets pay RiverFront an investment advisory fee in addition to the asset-based fee they pay to the Program Sponsor for investment advice, custody, execution and reporting. In some wrap fee programs, clients pay a single asset-based fee to the Program Sponsor and, out of that fee, the Program Sponsor is responsible for paying an investment advisory fee to RiverFront. For a more complete description of the fees involved with wrap programs please see Item 5 of this Brochure.

## **Assets Under Management**

As of December 31, 2011, RiverFront's discretionary assets under management were \$2,755,023,535 in 7235 accounts. Non-discretionary assets under management were \$218,683,522 in 645 accounts. The total assets under management were \$2,973,707,057 in 7880 accounts.

## **Item 5 – Fees and Compensation**

### **Asset-based Management Fees**

Asset-based management fees are generally charged quarterly in advance based on the market value of a client's assets under management at the beginning of the calendar quarter. Fees will generally be deducted directly from the client's account per the Investment Advisory Agreement. In the event the client terminates the advisory relationship, our investment management fee is prorated through the effective date of termination, as defined by the Investment Advisory Agreement, and any remaining balance shall be refunded to the client. In some cases, negotiation of fees may result in different fees being charged for similar services and may be less than the stated fee schedule. RiverFront will not be compensated on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of the client.

RiverFront's advisory fees are separate and distinct from fees and expenses charged by open-end investment companies (i.e. mutual funds), closed-end funds and exchange-traded funds, which may be recommended to clients. A description of these fees and expenses are available in each fund's prospectus. Additionally, the fees charged by RiverFront are exclusive of all custodial and transaction costs paid to custodians, brokers or any other third parties. For a more detailed description of our brokerage practices, please see Item 12. Clients should review all fees charged by RiverFront, custodians and brokers and others to fully understand the total amount of fees incurred.

### **Wrap-Fee Programs**

Clients who select RiverFront to manage their assets within wrap-fee programs will typically do so under either a "single contract" or "dual contract" agreement.

Under a single contract, clients pay an asset-based fee to the Program Sponsor and, out of that fee; the Program Sponsor is responsible for paying an investment advisory fee (as described above) to RiverFront. In these programs, the Program Sponsor and RiverFront enter into a sub-advisory or other agreement under which RiverFront agrees to manage the assets of client accounts in these programs. As part of that agreement, RiverFront and the Program Sponsor agree on the investment advisory fees to be charged by RiverFront on those assets. The fees charged by RiverFront on assets of a client who chooses it to provide investment supervisory services through such a wrap fee program offered by a Program Sponsor can be negotiable and will vary from program to program, but typically do not exceed 0.50% per year on the value of the client assets in the wrap fee program. The fees are typically charged quarterly in advance, based on the market value of the client assets as of the beginning of the quarter.

Under a dual contract agreement, the client has one contract with the Program Sponsor and another contract with RiverFront. As such, clients pay RiverFront an investment advisory fee in addition to the asset-based fee they pay to the Program Sponsor for investment advice, custody, execution and reporting. The fees charged to clients that select RiverFront in a "dual

contract” arrangement are negotiable and may vary from client to client and from Program Sponsor to Program Sponsor. RiverFront will generally charge such fees quarterly in advance, based on a percentage of the market value of a client’s assets under its management at the beginning of the calendar quarter.

Specific information on the investment advisory fees payable to RiverFront under a wrap-fee program will be provided by the applicable Program Sponsor. For information on the asset-based fees charged by the Program Sponsor, clients should consult with the Program Sponsor or refer to the Program Sponsors’ Wrap Fee Program Brochure (also known as ADV Part2A Appendix 1).

### **Research Subscription Services**

Fees for Research Subscription Services (as described in Item 4) are generally paid in monthly or quarterly installments and are based on two levels of services – one at \$2,575/month (\$30,900/year) and one at \$5150/month (\$61,800/year). Fees for the services are negotiable. Generally, but not in all instances, RiverFront provides its research publications at no additional fee to wrap-fee Program Sponsors with which RiverFront maintains a relationship. The subscription for the research service may be cancelled by written notice to RiverFront.

### **Investment Advisory Services to Registered Investment Companies**

RiverFront may act as Sub-Advisor to Registered Investment Companies. For these services, RiverFront charges an annual investment management fee based upon the market value of the assets being managed in the Fund(s). The fees are prorated and accrued daily, based upon the fair market value of the assets in the Fund. In the event the client terminates the sub-advisory relationship, RiverFront’s investment management fee is prorated through the effective date of termination, as defined by the Investment Sub-Advisory Agreement, and any remaining balance shall be refunded to the client. RiverFront generally charges an annual fee of 0.60% for these services; however, this fee is negotiable.

### **Index Provider Services**

RiverFront is the Index Provider for two PowerShares Tactical Global Allocation Exchange Traded Funds (ETFs). RiverFront is paid 20 basis points (0.20%) on the assets in each ETF.

ETFs are securities that closely resemble index funds, but can be bought and sold during the day just like common stocks. These investment vehicles offer investors a convenient way to purchase a broad basket of securities in a single transaction. Essentially, ETFs offer the convenience of a stock along with the diversification of a mutual fund.

The PowerShares ETFs normally invest at least 90% of their total assets in securities included in the Index provided by RiverFront. Additionally, the ETFs are considered “fund of funds,” as they primarily invest their assets in the securities of funds included in the Index. RiverFront uses a proprietary methodology called Price Matters<sup>SM</sup> to select underlying securities for the Index, including ETFs and exchange-traded notes, (see description of Price Matters<sup>SM</sup> in Item 8).



## **Other Services Provided by RiverFront**

RiverFront may be engaged from time to time on a fixed fee basis to provide consulting and other advisory services to the Program Sponsors and/or their affiliates, and to clients in connection with asset allocation and tactical strategies and solutions. The fees are separately negotiated and will vary based on the nature and scope of the requested services.

## **Additional Fees and Expenses**

Advisory fees payable to us do not include all the fees you will pay when we purchase or sell securities for your Account(s). The following list of fees or expenses are what you pay directly to third parties, whether a security is being purchased, sold or held in your Account(s) under our management. Fees charged are by the broker dealer / custodian. We do not receive, directly or indirectly any of these fees charged to you. They are paid to your broker, custodian or the mutual fund or other investment you hold. The fees can include but are not limited to the following:

- Brokerage commissions;
- Transaction fees;
- Exchange fees;
- SEC fees;
- Advisory fees and administrative fees charged by Mutual Funds (MF) and/or Exchange Traded Funds (ETFs)
- Advisory fees charged by sub-advisers (if any are used for your account);
- Custodial Fees;
- Deferred sales charges (on MF or annuities);
- Odd-Lot differentials;
- Deferred sales charges (charged by MFs);
- Transfer taxes;
- Wire transfer and electronic fund processing fees;
- Commissions or mark-ups / mark-downs on security transactions ;

In addition, we do not have or employ any “Employee” that receives (directly or indirectly) any compensation from the sale of securities or investments that are purchased or sold for your account or to which we provide consulting expertise / services. As a result, we are a “fee only” investment adviser. We do not have any potential conflicts of interest at present that relate to any additional (and un-disclosed) compensation from you or your assets that we manage.

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

RiverFront does not currently accept performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7 – Types of Clients**

RiverFront may provide investment advice to a wide range of clients including individuals, trusts, estates, investment companies, pension and profit sharing plans, as well as, charitable organizations and corporations. The minimum account size depends on the services offered and is described in Item 5. Account minimums may be waived at RiverFront's discretion.

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

Our portfolios generally rely on fundamental securities analysis with some emphasis on utilizing charting or cyclical analysis as well. Each RiverFront portfolio manager follows a specific investment philosophy that will detail the mix of these analysis methods. Portfolio quality and concentration requirements are established to provide an overall discipline and structure to the portfolio. Such strategies ordinarily include long- and short-term purchase of equity and fixed income securities, exchange traded funds (ETFs), and closed-end funds (CEFs). However, in special circumstances the strategies may also include short-term trading. Short-term trading is generally defined as selling a position within 30 days of purchase. A more detailed description of each of our strategies appears below.

### ASSET ALLOCATION STRATEGIES

#### NEW STRATEGY NAMES AND OBJECTIVES



The Asset Allocation Strategies are designed to address investor needs for diversified portfolio solutions meeting defined risk objectives. Six Asset Allocation Portfolio Models are offered – **Global Growth, Global Allocation, Dynamic Equity Income, Moderate Growth & Income, Conservative Growth, and Conservative Income Builder**. Each model is built around a targeted strategic asset allocation among the following major asset classes: cash, fixed income, and both domestic and international equity securities. These strategic asset allocation targets are based upon RiverFront’s recommended long-term strategy guidelines, and may change from time to time in light of research and analysis.

The Conservative Growth Strategy is not currently being marketed by RiverFront. The composition of the portfolio has evolved to be similar to the Moderate Growth & Income Strategy.

The strategic asset allocation targets are selected such that the Conservative Income Builder model could be expected to have the lowest investment risk of the six portfolios, based upon historical average risk levels for these asset classes. Similarly, historical average return figures would suggest that this model also offers the lowest potential return. As the investor moves up the risk spectrum to the Moderate Growth & Income, Dynamic Equity Income, Global Allocation, and Global Growth models, the equity allocations increase. Historical averages suggest that expected investment risk and potential return typically increase as more of the asset allocation shifts from bonds into equities.

The strategic allocation targets for the Asset Allocation Strategies serve as a guideline against which these portfolios will be managed. However, sector allocations within the portfolios will vary from the strategic targets when, in the opinion of RiverFront's strategy teams, a somewhat modified asset allocation offers better potential returns. These tactical asset allocation "tilts" will generally be limited to a maximum of 20% variance from each of the strategic target levels. For example, **Moderate Growth & Income** may have a strategic allocation target for fixed income of 50%. As a result, in most instances this portfolio model's allocation to fixed income will range between 30% and 70%, but may vary outside of this range at RiverFront's discretion. Similarly, investments in sectors not within the strategic allocation (for example, real estate investment trusts ["REITs"], high yield bonds, etc.) will also generally be limited to no more than 20% of the portfolio model.

Domestic equity investments for the Asset Allocation Strategies will be "all-cap" in nature with selections potentially drawn from RiverFront's domestic equity models. In addition, ETFs may be used to manage sector allocations of the portfolios. Diversification and liquidity are paramount concerns in the management of fixed income allocations. Achieving suitable levels of diversification and liquidity for fixed income investments may entail investments in ETFs and CEFs. Similarly, the specialized knowledge and transaction costs associated with international equity investing may make ETFs and CEFs a desirable strategy for this sector of the portfolio. For these two asset classes -- fixed income and international equity -- investment in ETFs and CEFs may form a core portfolio strategy. Additionally, the portfolio may purchase commodities, and emerging market debt or equity. Investors in commodity ETFs are likely to be subject to K-1 filings. The income and certain expenses of commodity ETFs are passed through to the owners, who report and pay tax on the income. The K-1 is the form used to report each owner's share of income and certain expense items.

RiverFront also maintains models based on the Strategic Asset Allocations that underlie these portfolios. These models are not currently marketed by RiverFront or offered to investors.

## TACTICAL ETF STRATEGIES

The RiverFront ETF Portfolio strategies are designed to meet investor needs for diversified portfolio solutions meeting defined risk objectives. Three ETF portfolio models are currently offered – Moderate Growth & Income, Global Allocation and Global Growth. Each model is built around a targeted strategic asset allocation among the following major asset classes: cash, fixed income, alternative income and both domestic and international equity securities. These strategic asset allocation targets are based upon RiverFront’s recommended long-term strategy guidelines, and may change from time to time in light of new research and analysis.

The strategic asset allocation targets are selected such that the Moderate Growth & Income model could be expected to have the lowest investment risk of the three portfolios, based upon historical average risk levels for these asset classes. Similarly, historical average return figures would suggest that this model also offers the lowest potential return. As the investor moves to the Global Allocation and Global Growth models, the equity allocations increase. Historical averages suggest that expected investment risk and potential return increase as more of the asset allocation shifts from bonds into equities.

The portfolio may purchase commodities, emerging market debt or equity. Investors in commodity ETFs are likely to be subject to K-1 filings. The income and certain expenses of commodity ETFs are passed through to the owners, who report and pay tax on the income. The K-1 is the form used to report each owner’s share of income and certain expense items.

### Risks Inherent to ETFs

As discussed above, some of our strategies will use ETFs, which will be subject to substantially the same risks as those associated with the direct ownership of the securities comprising the index on which the ETF is based. Additionally, the value of the investment will fluctuate in response to the performance of the underlying index. ETFs typically incur fees that are separate from those fees charged by RiverFront (see disclosure in Item 5 titled “Other Fees”). Accordingly, our investments in ETFs will result in the layering of expenses.

## INSTITUTIONAL STRATEGIES

The **Large Cap Core Portfolio** is designed for investors seeking long term capital growth that aims to outpace the S&P 500 while investing in a diversified portfolio of equity securities that would be associated with the label “Blue Chip.” The Large Cap Core portfolio managers primarily employ a “bottom up” or fundamental style of investing, focusing on the analysis of

individual stocks/companies. Our managers for this strategy maintain an investment approach that blends growth and value depending on market conditions. Additionally, the portfolio managers may employ technical analysis, the study of historical price movements and trend patterns. (There is no assurance that these movements or trends can or will be duplicated in the future.) If the company pays a dividend, consistency of payment and ability to grow the dividend will be important. “Blue Chip” companies are generally thought of as pace setter companies that establish the standards by which others in their fields are measured. Typically, these will be companies that have the advantage of size and can hold their own even in a recession. When fully invested, each client’s portfolio typically will have 30 to 40 equity positions. The Large Cap Core Portfolio may purchase ETFs and CEFs.

The **Small Mid Cap Portfolio** is designed to serve as the small/mid cap equity component within a clients asset allocation mix. The portfolio managers utilize a “bottom up” fundamental style of investing to identify securities that may have been overlooked or under-appreciated by market participants, and selling at discounts to their intrinsic value or at reasonable valuations relative to their individual industry groups. Additionally, the portfolio manager may take into consideration technical analysis. The portfolio concentrates on the universe of small and midsize U.S. traded common stocks with market capitalization below \$6.9 billion at the time of initial purchase. Given its small/midcapitalization holdings, the Small Mid Cap Portfolio may experience higher than average market volatility and risk, which should be offset somewhat by the equity industry and sector diversification within the portfolio. When fully invested, each client’s portfolio typically will have 35 to 50 equity positions with an average holding period of two years. The Small Mid Cap Portfolio may purchase ETFs and CEFs.

The **Fixed Income Foundation Portfolio** is designed for investors seeking a total return, or in other words, income and capital appreciation. The goal of this Fixed Income strategy is to provide investors with coupon income and potential price appreciation.

The Fixed Income Portfolio aims to outpace the Barclays Capital U.S Aggregate Bond Index while investing in a diversified portfolio of fixed income securities. The portfolio may invest in a wide variety of fixed income instruments including Treasuries, Corporate Bonds, Agencies, Mortgage Backed Securities (MBS), Convertible Bonds, High Yield Bonds, Emerging Market Bonds, Foreign Bonds/Currencies, Preferred Securities, and Asset Backed Securities (ABS). The portfolio may also purchase ETFs, CEFs, and individual bonds.

Depending on market conditions, the portfolio managers may employ a combination of investment strategies that include:

*Sector rotation:* a sector rotation strategy generally refers to the movement of money from one industry sector to another in an attempt to beat the market's performance;

*Yield curve and interest rate anticipation:* a strategy that adjusts the portfolio's yield curve positioning and/or duration in anticipation of future interest rate movements along the yield curve;

*Individual security selection:* individual security selection is a "bottom up" fundamental style of investing that seeks to identify securities that may have been overlooked or under-appreciated by market participants; and

*Technical Analysis:* the portfolio managers may study price movements and trends in the market. There is no guarantee that these movements or trends can or will be duplicated in the future.

This portfolio is not currently being marketed by RiverFront.

The RiverFront **Flexible Income & Growth Portfolio** is designed for investors seeking current income and the potential for their income level to grow over time, while managing risk. To achieve these objectives the portfolio will typically have a substantial allocation to dividend paying stocks; therefore, investors in this portfolio should be able to withstand a certain degree of portfolio volatility. Under normal conditions, the portfolio is expected to have between 30% and 50% of its assets invested in a diversified basket of dividend paying stocks, with the balance of the portfolio invested in various other income-paying securities, including municipal and high yield securities. The portfolio management team may depart from the targeted allocation range when they feel that certain sectors of the financial markets are over or under valued. As market conditions warrant, the portfolio management team is expected to invest 100% of the portfolio's fixed income assets in municipal bonds or municipal bond exchange -traded funds (ETFs).

### **Risk of Loss**

All investments in securities include a risk of loss of principal (invested amount) and any profits that have not been realized (i.e., the securities were not sold to "lock in" the profit). Stock markets and bond markets fluctuate substantially over time. In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets we manage that may be out of our control. We will do our very best in the management of investors' assets; however, RiverFront cannot guarantee any level of performance or that account assets will not be lost.



RiverFront does not represent, warrant or imply that the services or methods of analysis used can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to major market corrections or crashes. No guarantees can be offered that clients' goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by RiverFront will provide a better return than other investment strategies.

Varied fluctuations in the price of investments are a normal characteristic of securities markets due to a variety of influences. Managed account programs should be considered a long-term investment; thus, long-term performance and performance consistency are the major goals.

No guarantees can be offered that client's goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by RiverFront will provide a better return than other investment strategies.

## **Item 9 – Disciplinary Information**

We do not have any legal, financial or other “disciplinary” item to report. We are obligated to disclose any disciplinary event that would be material to you when evaluating us to initiate a Client / Adviser relationship, or to continue a Client /Adviser relationship with us.

This statement applies to our Firm, and every employee.

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

RiverFront is affiliated with Baird Financial Corporation (“BFC”) as a result of BFC’s indirect 30% ownership of RiverFront. BFC is the parent of Robert W. Baird & Co. Incorporated (“Baird”), a registered broker/dealer and investment adviser. RiverFront provides various investment advisory and consulting services to Baird and clients of Baird, including providing discretionary asset management services to Baird clients through the Baird Advisory Choice Program.

Several RiverFront employees are registered representatives of ALPS Distributors, Inc. (ALPS), a FINRA member broker/dealer. The employees are registered due to their work with respect to the RiverFront mutual funds that are distributed by ALPS. ALPS is not affiliated with RiverFront Investment Group, LLC.

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

RiverFront has adopted a Code of Ethics that governs a number of potential conflicts of interest we have when providing advisory services to our clients. This Code of Ethics is designed to ensure we meet our fiduciary obligation to our Clients (or Prospective Clients) and to drive home a Culture of Compliance within our firm.

An additional benefit of our Code is to detect and prevent violations of securities laws.

Our Code is comprehensive, is distributed to each employee at the time of hire, and annually thereafter (if there are changes). We also supplement the Code with annual training and on-going monitoring of employee activity.

Our Code includes the following:

- Requirements related to the confidentiality of our client information;
- Prohibitions on:
  - Insider trading (if we are in possession of material, non-public information);
  - The acceptance of gifts and entertainment that exceed our policy standards;
- Reporting of gifts and business entertainment, RiverFront routinely provides meals during meetings with advisors and clients where RiverFront products and services are discussed;
- Pre-clearance of certain employee and firm transactions;
- Reporting (on an on-going and quarterly basis) all personal securities transactions (what we call “reportable securities” as mandated by regulation); and,
- On an annual basis, we require all employees to re-certify to our Code, identify members of their household and any account to which they have a beneficial ownership (they “own” the account or have “authority” over the account), securities held in certificate form and all securities they own at that time).

### **Participation or Interest in Client Transactions and Personal Trading**

RiverFront permits its employees to engage, on a limited basis, in personal securities transactions. As a result, we may purchase or sell the same or similar securities (or securities that are suitable for an employee or related account but not suitable for any client) at the same time that we place transactions for our Clients.

To avoid any potential conflicts of interest involving personal trades, RiverFront has adopted a Code of Ethics (“Code”), which includes formal insider trading and personal security transactions policies and procedures. RiverFront’s Code requires, among other things, that its employees:

- Place the integrity of the investment profession, the interests of clients, and the interests of RiverFront above one’s own personal interests;
- 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;
- Adhere to the fundamental standard that he or she should not take inappropriate advantage of his or her position;
- Avoid any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with the Code;
- Use reasonable care when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Promote the integrity of, and uphold the rules governing, capital markets; and
- Comply with applicable provisions of the federal securities laws.

RiverFront’s Code also requires employees to: (1) pre-clear certain personal securities transactions, (2) report personal securities transactions on at least a quarterly basis, and (3) provide RiverFront with a detailed summary of holdings (both initially upon commencement of employment and on a regular basis thereafter) over which the employee has a direct or indirect beneficial interest. Beneficial ownership of a Security is to be determined in the same manner as it is for purposes of Section 16 of the Securities Exchange Act of 1934. This means that a person should generally consider himself the beneficial owner of any Securities in which he has a direct or indirect pecuniary interest. In addition, a person should consider himself the beneficial owner of Securities held by his spouse, his dependent children, a relative who shares his home, or other persons by reason of any contract, arrangement, understanding or relationship that provides him with sole or shared voting or investment power.

The Code of Ethics serves to establish a standard of conduct for all of RiverFront’s associated persons and is based upon fundamental principles of transparency, integrity, honesty and trust. A copy of our Code of Ethics is available upon request.

## **Item 12 – Brokerage Practices**

In the course of providing our services, we will execute trades for our clients through broker/dealers. When a client has given us broker discretion, there is no restriction on the brokers we may select to execute client transactions. Our general guiding principle is to trade through broker/dealers who offer the best overall execution under the particular circumstances.

With respect to execution, we consider a number of factors, including if the broker has custody of client assets, the actual handling of the order, the ability of the broker/dealer to settle the trade promptly and accurately, the financial standing of the broker/dealer, the ability of the broker/dealer to position stock to facilitate execution, our past experience with similar trades, and other factors that may be unique to a particular order. Based on these factors, we may trade through broker/dealers that charge fees that are higher than the lowest available fees.

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

When appropriate, RiverFront, consistent with its duty to seek best execution, directs trades for client accounts to broker-dealers who provide RiverFront with brokerage and research products and services. The client commissions used to acquire brokerage and research services are known as "soft dollars." RiverFront seeks to comply with Section 28(e) of the 1934 Act, which provides a "safe harbor" allowing investment advisers to pay more than the lowest available commission for brokerage and research services if it determines in good faith that (1) the brokerage or research services fall within the definitions set forth in Section 28(e); (2) the brokerage or research services provide lawful and appropriate assistance in the investment decision-making process; and (3) the commission paid is reasonable in relation to the brokerage and research services provided.

In connection with our clients' securities transactions, RiverFront receives research products and services, including proprietary research and research generated by third parties, as well as portfolio management tools from certain broker/dealers and other providers. When we use client brokerage commissions ("soft dollars") to obtain these products and services, we receive a benefit because we do not have to produce or pay (with hard dollars) for the research or other services. As such, we may have an incentive to direct trades to specific broker/dealers based on our interest in receiving the research or other services, rather than on our clients' interest in receiving the lowest commission. In light of our fiduciary obligations to all our clients, we may use soft dollar benefits to service accounts that do not necessarily pay for the benefits (via soft dollar commissions). We do not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

Our Portfolio Management team provides input on the value of specific research and portfolio management tools. This input is used to determine who will receive soft dollar payments via our Commission Sharing Arrangements ("CSA") or through trading. Based on this input, a budget is prepared and reviewed by the CSA committee before adoption. After the budget has been approved, information about trading practices and commission sharing arrangements is

discussed by the Best Execution Committee, which oversees the conflict between best execution and research. Broker/dealer fees may vary and be greater than those typical for similar investments if we determine that the research, execution and other services rendered by a particular broker merit greater than typical fees.

The types of products and services that we acquire with client brokerage commissions include financial news and research on the companies in which we invest. This news and research includes company and industry reports, meetings and calls with analysts regarding trends and company prospects in various sectors, as well as meetings and calls with company management. We also use soft dollars to pay for portfolio management tools.

Finally, in the event that RiverFront is “paying up” for brokerage executions, it shall avoid maintaining an overabundance of outstanding soft dollar credits at brokers, as doing so could call into question whether RiverFront is causing its clients to pay unnecessary brokerage costs. Conversely, RiverFront shall avoid maintaining large deficit balances, which could raise issues related to RiverFront’s financial solvency and create conflicts of interest by obligating RiverFront to trade through the broker that must receive commissions in order to reduce the deficit.

### **Brokerage for Client Referrals**

RiverFront does not currently select or recommend broker/dealers based on our interest in receiving client referrals.

### **Directed Brokerage**

Clients may direct RiverFront in writing to use a particular broker/dealer to execute all transactions for that client’s account. In that case, each directed client will negotiate terms and arrangements for their own account with that broker/dealer. For clients who direct RiverFront to use a particular broker/dealer, generally the placing of orders for these clients occurs independently (“directed clients”). Due to the direction to use a specific broker/dealer, RiverFront is unable to include these client transactions with other non-directed clients in a “batched” or combined order and directed clients may not receive the same overall execution or commission rates (typically an average rate) that clients who do not direct RiverFront receive otherwise. Accordingly, directed clients may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

When possible, RiverFront may attempt to request that the executing broker/dealer for non-directed client transactions “step out” the portion of the transaction to the broker/dealer specified by a directed client. In cases when a step out is possible, the directed client may pay an additional amount of transaction-based compensation to the broker/dealer willing to step out a portion of the transaction. This may increase the total transaction costs incurred by directed clients than might otherwise be the case for non-directed clients. Further, by directing RiverFront to use specific broker/dealers, directed clients may not be able to participate in

initial public offerings or secondary offerings placed by underwriters unless the directed broker/dealer is the underwriter of the offerings. In addition, RiverFront may not be able to place all orders for both directed and non-directed clients at the same time.

Orders for non-directed clients typically are placed before orders for directed clients and when the transaction involves thinly traded securities, trades placed after other trades may be filled at inferior prices if prices have moved adversely. Orders for directed clients thereafter are placed on a rotational basis. In this way, RiverFront uses its best efforts to provide fair and equitable treatment to its directed clients over time.

### **Trade Aggregation or “Bunching”**

Orders for the same security entered on behalf of more than one client will generally be aggregated (bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders; filled orders shall be allocated separately from subsequent orders. All clients participating in each aggregated order shall receive the average price and if applicable, pay a pro rata portion of commissions. Transactions are usually aggregated to seek a lower commission, lower costs, or a more advantageous net price. However, tax-loss-sell orders in the same security as a bunched trade will generally not be included in the aggregated order placed by RiverFront.

RiverFront is not obligated to acquire for any account any security that we or our officers, or employees may acquire for their own accounts or for the account of any other client, if in RiverFront’s discretion it is not practical or desirable to acquire a position in such security.

### **Wrap Fee Programs**

In evaluating the wrap fee arrangement, a client should recognize that brokerage commissions for the execution of transactions in the client’s account may not be negotiated with RiverFront. These transactions are executed through the Program Sponsor and are generally effected without commissions. A portion of the wrap fee is generally considered as being in lieu of brokerage commissions.

Although some brokerage transactions will be executed through the Program Sponsor, RiverFront generally chooses to place trades through broker/dealers other than the SMA Program Sponsor (so called “trade aways”). We perform trade aways when we believe, in good faith, that another broker dealer will provide a more favorable transaction for the client’s account – taking into consideration the price, including any commission or dealer markup or markdown, execution capabilities, speed, efficiency, confidentiality, familiarity, with potential purchasers or seller, or other relevant matters. Performing trade aways gives us the ability to aggregate our trade orders and, in so doing, achieve best execution for the client.



If RiverFront uses a broker dealer other than the sponsoring broker dealer, the client's account will be charged a commission or other fees that are not included in the wrap fee paid by the client to the Program Sponsor.

### **Trade Order Rotation**

Given the multiple wrap fee Program Sponsors through which our clients participate, and for best execution purposes, RiverFront will generally execute model changes as trade aways. Therefore, a trade rotation is not typically used for the separately managed account programs. RiverFront does utilize a trade rotation for its "model-only" products on participating platforms. When updating models on these platforms, RiverFront intends to follow a methodology for contacting model-only Program Sponsors in a pre-determined order that is fair and equitable to all clients so that no group of clients is favored or disfavored over any other clients.

## **Item 13 – Review of Accounts**

Model portfolios are reviewed on a daily basis by the Trading Team to ensure that they are in line with the Separately Managed Account portfolios.

In addition, the portfolio management team studies the portfolios via daily data sheets comprising information about the specific holdings in each of the portfolios, as well as via attribution information, which details how each sector and sub-set of the portfolio is performing relative to its benchmark. Particular attention is given to continued suitability of securities in relation to the portfolios' investment objectives, performance of individual investments as well as changes in company fundamentals, industry outlook, market outlook, price levels and asset allocation policy ranges.

Client accounts are reviewed regularly, typically on a weekly basis, by the trading team to ensure that individual client portfolios are in alignment with the model portfolios.

Clients are kept fully informed about their portfolio activity by receiving copies of all transaction confirmations and monthly/quarterly statements from their brokerage firms and/or custodians (note: clients have the option to suppress confirms if they so choose). Clients have access to quarterly reports that focus on asset allocation and portfolio performance for each of the model portfolios run by RiverFront. These reports are posted on the RiverFront Investment Group's website. Additionally, separately managed account clients will receive quarterly performance reports concerning their individual portfolios from the Wrap Fee Sponsor Firms.

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

As previously noted, RiverFront provides advice as part of wrap-fee programs sponsored by various broker/dealers, including its affiliate, Baird. Certain economic benefits are received as a result of these broker/dealer relationships. These benefits may include: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk serving program participants exclusively; the ability to have investment advisory fees deducted directly from client accounts; access to an electronic communication network for client order entry and account information; receipt of various publications; proprietary research; and participation in broker/custodian-sponsored conferences.

## **Item 15 – Custody**

RiverFront will not maintain custody of clients' funds or securities, with the exception of deduction of RiverFront's fees from clients' accounts that are authorized in the advisory agreement between clients and RiverFront. Clients will receive account statements directly from these custodians and should carefully read the statements for accuracy.

## **Item 16 – Investment Discretion**

When a client agrees to discretionary management, in writing through the signing of an Investment Advisory Agreement with RiverFront, we will be responsible for selecting the amount of securities to be bought and sold. The only limitations on the investment authority will be those imposed in writing by the client. Any client-imposed investment restrictions involving a security held in RiverFront's model portfolio will be prorated across the remainder of the model holdings. Therefore, in certain market conditions, clients could obtain higher or lower performance than RiverFront's similarly managed accounts.

In the course of providing our services, we will execute trades for our clients through broker/dealers. When a client has given us broker discretion, there is no restriction on the brokers we may select to execute client transactions.

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

RiverFront may vote proxies on behalf of its clients. Our Proxy Administrator is charged with identifying the proxies upon which we will vote, voting the proxies in the best interest of clients, and submitting the proxies promptly and properly.

We have engaged Broadridge Financial Solutions, Inc., to vote our clients' proxies in the interest of maximizing shareholder value. To that end, Broadridge will vote in a way that it believes, consistent with our fiduciary duty, will cause the issue to increase the most or decline the least in value. Consideration will be given to both the short- and long-term implications of the proposal to be voted on when considering the optimal vote.

We have currently identified no conflicts of interest between our client interests and our own within our proxy voting process. Nevertheless, if faced with a material conflict of interest in voting a client's proxy, the Proxy Administrator will use pre-determined guidelines and research to determine the appropriate vote.

Our complete proxy voting policy and procedures are memorialized in writing and are available for review on our public website – [www.riverfrontig.com](http://www.riverfrontig.com) -- and upon request. In addition, our complete proxy voting record is available to our clients, and only to our clients. Please contact us if you have any questions or if you would like to review either of these documents.

## **Item 18 – Financial Information**

RiverFront is not required to include disclosures under this section.

## **Item 19 – Requirements for State-Registered Advisers**

RiverFront is an SEC registered Investment Adviser and is not registered with any states.