

**Part 2A of Form ADV: Firm Brochure**

**Item 1: Cover Page**

**Yacktman Asset Management LP**

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**March 15, 2013**

Yacktman Asset Management LP is a registered investment adviser. This registration does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Yacktman Asset Management LP. If you have any questions about the contents of this brochure, please contact us at (512) 767-6700 or (800) 356-6356. 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 Yacktman Asset Management LP also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

The following is a summary of material changes to Yacktman Asset Management LP's ("Yacktman") business since the last annual update of this brochure, dated May 24, 2012.

As described in "Item 10 – Other Financial Industry Activities and Affiliations," in June 2012, Affiliated Managers Group, Inc. ("AMG") acquired a majority interest in Yacktman. AMG's equity interest in Yacktman is structured so that Yacktman maintains operational autonomy in managing its business. AMG does not have any role in the day-to-day management of Yacktman. AMG also holds equity interests in certain other investment advisers ("AMG Affiliates"). Each of the AMG affiliates, including Yacktman, operates autonomously and independently of AMG and of each other. As part of this reorganization, Yacktman signed mutual fund sub-advisory agreements with Managers Investment Group LLC ("Managers"), an AMG affiliate. The Yacktman Fund and The Yacktman Focused Fund have been renamed Yacktman Fund and Yacktman Focused Fund ("The Funds"), respectively. The Funds are part of the Managers Funds Family for which Managers is the sponsor and adviser. Yacktman is the sub-adviser to the Yacktman Fund and Yacktman Focused Fund.

Following AMG's investment in Yacktman, Yacktman entered into a client service/marketing agreement with subsidiaries of AMG. These AMG subsidiaries introduce Yacktman's investment management services to prospective institutional clients and/or provide institutional client services to certain Yacktman clients in various foreign jurisdictions. Yacktman also has a marketing agreement with Managers Investment Group LLC ("Managers"), an AMG Affiliate, under which Managers markets Yacktman's investment management services to unaffiliated third-party intermediaries that sponsor sub-advised mutual funds and/or other platforms.

On December 17, 2012, Yacktman's office moved from Suite 320 to Suite 500 in the same building. Telephone numbers, the fax number and email addresses all remain the same.

Since its last annual update, this brochure has also been updated to expand disclosure in several areas, including, side-by-side management, the risks associated with investing, the affiliation with AMG subsidiaries, and internal controls used to address conflicts of interests within brokerage practices.

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## **Item 4: Advisory Business**

Yacktman Asset Management LP (“Yacktman”) is an investment advisory firm specializing in domestic (U.S.) strategies which has served long-term oriented investors since 1992.

Yacktman generally provides investment management and supervisory services on a discretionary basis and, for a limited number of clients, on a non-discretionary basis. We serve as an investment adviser or sub-adviser to a variety of clients. See “Item 7 – Types of Clients” for more information with respect to our clients. As of December 31, 2012, Yacktman had assets under management of \$19,694,600,000, of which \$19,685,972,000 was managed on a discretionary basis and \$8,628,000 was managed on a non-discretionary basis.

### *Principal Ownership*

Yacktman’s institutional partner, Affiliated Managers Group, Inc. (“AMG”), a publicly-traded asset management company (NYSE: AMG), holds a majority equity interest in us. The remaining equity interests are held directly and indirectly by Yacktman’s Senior Management. AMG also holds equity interests in other investment management firms (“AMG Affiliates”). Further information on both AMG and AMG’s Affiliates is provided in “Item 10 – Other Financial Industry Activities and Affiliations” of this brochure.

In conjunction with AMG’s investment in Yacktman, we formed Yacktman Asset Management LP in 2012 to succeed Yacktman Asset Management Co., our prior operating entity.

### *Advisory Services*

As noted above, Yacktman is an investment manager specializing in domestic (U.S.) equity strategies. However, our investments may also include foreign equities, domestic and foreign fixed income securities, and derivatives. We are research oriented, and primarily utilize fundamental analysis for the selection of equity investments. We employ a disciplined strategy, and invest in securities of any size at prices that we believe offer an attractive forward rate of return. Our advisory services include the management of pooled investment vehicles (e.g., mutual funds), as well as accounts managed on behalf of a single entity or individual. We serve as sub-adviser to the Yacktman Fund and Yacktman Focused Fund (“the Funds”), for which Managers Investment Group LLC (“Managers”), an AMG Affiliate, is the sponsor and adviser. We also provide investment advisory services as a sub-adviser to several other mutual funds and an Undertakings for Collective Investment in Transferable Securities (“UCITS”) fund, which is a pooled investment vehicle domiciled in Europe.

As an asset manager, we recognize that all clients are unique and, therefore, their investment needs are different. Each client will generally set forth the investment objectives, investment strategy, and any investment restrictions that may be applicable to our management of the assets in the client’s account at the commencement of the

relationship. This customization may involve restricting or reducing exposure to certain securities or economic industries, as well as adding exposure to assets other than those we typically recommend. It may also influence the degree of concentration in the account or the yield characteristics of the portfolio. As such, we may modify our primary investment strategies, as necessary, to meet the goals that you specify, in an effort to accommodate the particular investment objectives and accompanying restrictions you request.

We may refuse to enter into an investment advisory arrangement with a prospective client whose investment objectives are considered incompatible with our basic investment philosophy or strategies, or if the prospective client seeks to impose unduly restrictive investment guidelines, or if we cannot determine the identity of the ultimate investor.

### *Wrap Account Programs*

We participate in certain “wrap fee” or “wrap account” programs (“wrap accounts”) by providing portfolio management services as part of such programs. Wrap accounts involve individually-managed accounts for individual or institutional clients. Wrap accounts are offered as part of a larger program by a “sponsor,” usually a brokerage, banking or investment advisory firm, and managed by one or more investment advisers. Yacktman is not a wrap account program sponsor; rather, we serve as a sub-adviser to the investment adviser or sub-adviser over accounts directed to us by wrap account program sponsors. We have agreements with various wrap account program sponsors through which our services are offered, and we provide investment management services to those clients who select Yacktman as part of such programs. We receive a portion of the bundled or wrap fee for our services, and that fee can differ by program, as negotiated. See “Item 5 - Fees and Compensation” for more information.

In managing accounts under these programs, our overall management strategy does not differ materially from other accounts that we manage. However, certain differences do exist due to the nature of the bundled fee or wrap account programs, which require, by way of example, that certain models be followed in managing the accounts, that certain program-specific restrictions be adhered to, and/or that certain program-specific operational procedures be followed. In addition, we cannot necessarily offer the same level of portfolio customization to wrap accounts that we offer to other accounts within an investment strategy. With respect to trading related to wrap account programs, see “Item 12 - Advisory Business” sub-sections entitled “Directed Brokerage” and “Aggregation of Trades” for additional information.

## **Item 5: Fees and Compensation**

### ***Standard Fee Schedule***

We are compensated for investment advisory services through payment of fees made by our clients. Our standard fee schedule is as follows:

<i>Percentage Fee</i>	<i>Market Value</i>
1%	On First \$50 million
Negotiated	Above \$50 million

Fees may be negotiated at our sole discretion in light of a client's special circumstances, such as asset levels, service requirements, or other factors. In some cases, we may agree to a fee schedule that is lower than that of any other comparable clients in the same investment style. In addition, there may be historical fee schedules with longstanding clients that differ from those applicable to new client relationships. Therefore, fee schedules may vary from client to client. For comparable services, other investment advisers may charge higher or lower fees than those charged by us.

The fees charged to clients are generally computed as a percentage of the value of your assets under management. To calculate advisory fees, we generally rely on prices provided by third-party pricing services for purposes of valuing portfolio securities held in your account. We may, on occasion, be required to "fair value price" a security when a market price for that security is not readily available or when we have reason to believe that the market price is unreliable. When "fair value pricing" a security, we typically use various sources of information to determine a fair price that the security would obtain in the marketplace if, in fact, a market for the security existed. For any fair value priced securities, we maintain policies and procedures relating to the pricing process, in an effort to mitigate any conflicts of interest with respect to valuation.

Our fees are generally billed and payable quarterly in advance. The initial advisory fee is payable when the account is established, pro-rated for the first partial quarter, if any. Thereafter, the advisory fee will be billed based on the market value of the portfolio on the last business day of the preceding calendar quarter. Agreements terminated will receive a pro-rata portion of the prepaid fee based on the days remaining in the applicable quarter.

In some instances, upon your authorization, we may submit requests for fee payment directly to your broker/dealer. In such instances, we take reasonable measures to confirm that such broker/dealer is sending statements showing the deduction of our advisory fee from your account.

### ***Fees for Specialized Services***

#### ***Sub-Advisory Arrangements***

We are engaged by certain investment advisers (including advisers to registered investment companies) to manage certain portfolios of such advisers. In our capacity as "sub-adviser" to such accounts, our fees and services are determined by contract with the adviser. Information concerning these sub-advised funds, including a description of the services provided and advisory fees, is generally contained in each fund's prospectus.

Other fees payable as an investor in a sub-advised fund or other account are described in the fund's prospectus, the adviser's fee brochure, or client investment agreement.

### *Wrap Account Programs*

For additional information with respect to wrap account programs, please see the subsection entitled "Wrap Account Programs" under "Item 4 - Advisory Business" of this brochure.

Clients participating in these programs generally pay the wrap program sponsor a single fee (called a "wrap fee") for consulting, brokerage, custodial, portfolio monitoring, and investment management services. The fees you pay for participating in a wrap account program are set by the sponsor, and are generally disclosed in the sponsor's agreement with you. The wrap account program sponsor then pays us a portion of the wrap fee.

With regard to wrap fee program accounts, the all-inclusive fee may differ by program and exceed the aggregate cost of the services provided if such services were negotiated and purchased separately, depending on:

- the amount of trading activity in a client's account;
- the cost of brokerage commissions (which costs are typically negotiated between the client and the broker/dealer, rather than by Yacktman);
- the value of any other services rendered to the client; and
- other miscellaneous factors.

For detailed information on the wrap fees charged by each wrap fee program sponsor, please refer to the specific sponsor's Form ADV Part 2A.

### ***Additional Fees and Expenses Paid by Client***

Our fees are exclusive of brokerage commissions, transaction fees, service provider fees, and other related costs and expenses which are incurred by the client. See "Item 12 – Brokerage Practices" of this brochure, which describes the factors that we consider in selecting or recommending broker/dealers for the execution of transactions and determining the reasonableness of their compensation (e.g., commissions). Investment activity may also involve other transaction fees payable by clients, such as sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. In addition, you may incur certain charges imposed by custodians, broker/dealers, third-party investment consultants, and other third parties, such as custodial fees, consulting fees, administrative fees, and transfer agency fees.

### ***Fees for the Sale of Securities***

We do not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

We do not charge performance-based fees.

Our investment team simultaneously manages multiple types of portfolios (including, but not limited to, separately managed accounts, wrap accounts, UCITS funds, mutual funds, and private hedge funds) according to the same or a similar investment strategy. This practice is known as side-by-side management. As described in “Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading” of this brochure, these accounts may include proprietary accounts in which Yacktman or its employees (including principals) have an interest. The simultaneous management of these different investment products may create certain conflicts of interest, as the fees for the management of certain types of products are higher than others. Nevertheless, when managing the assets of such accounts, we have an affirmative duty to treat all such accounts fairly and equitably over time.

Although we have a duty to treat all portfolios within an investment strategy fairly and equitably over time, such portfolios will not necessarily be managed the same at all times. Specifically, there is no requirement that we use the same investment practices consistently across all portfolios. In general, investment decisions for each client account are made independently from those of other client accounts, and will be made with specific reference to the individual needs and objectives of each client account. In fact, different client guidelines and/or differences within particular investment strategies may lead to the use of different investment practices for portfolios within a similar investment strategy. In addition, we will not necessarily purchase or sell the same securities at the same time or in the same proportionate amounts for all eligible portfolios, particularly if different portfolios have materially different amounts of capital or different amounts of investable cash available. As a result, although we manage numerous portfolios with similar or identical investment objectives, or may manage accounts with different objectives that trade in the same securities, the portfolio decisions relating to these accounts, and the performance resulting from such decisions, may differ from portfolio to portfolio.

Since side-by-side management of various types of portfolios raises the possibility of favorable or preferential treatment of a portfolio or a group of portfolios, we have procedures designed and implemented to further our efforts to treat all portfolios fairly and equally over time. An analysis of the performance of client accounts managed with the same investment style generally occurs quarterly. Outliers having performance levels significantly different than the others will typically receive additional scrutiny. Securities holdings in client accounts are reviewed to make sure they reflect securities and portfolio management techniques that are consistent with applicable restrictions, investment guidelines, client mandates, diversification and liquidity requirements, and other similar requirements. Anomalies are discussed with the portfolio managers, as necessary. By



utilizing these procedures, we believe portfolios subject to side-by-side management receive fair and equitable treatment over time.

### **Item 7: Types of Clients**

We provide investment advisory services to the following types of clients:

- A. High net worth individuals;
- B. Banks or thrift institutions;
- C. Private funds, investment companies and UCITS;
- D. Pension and profit sharing plans;
- E. Estates, trusts, or charitable organizations; and
- F. Corporations or business entities not set forth above.

As a general rule, we require a minimum account size of \$50,000,000; however, the minimum account size is subject to negotiation at our discretion. In circumstances where we serve as an adviser within a wrap fee program or are an adviser or sub-adviser to other funds or accounts, the account minimums are generally determined by our agreement with the relevant wrap fee program sponsor, fund, or account. We generally do not impose any specific requirements with respect to asset size to maintain an account.

### **Item 8: Method of Analysis, Investment Strategies and Risk of Loss**

As noted in “Item 4 – Advisory Business” of this brochure, we specialize in domestic (U.S.) equity strategies. We are research oriented, and primarily utilize fundamental analysis for the selection of equity investments.

#### *Strategy Overview and Fundamental Analysis*

While we specialize in investing in domestic equities, we may also invest in foreign equity securities, debt securities, and options. Our investments in equity securities may include, but are not limited to, common stocks, preferred stocks, convertible preferred stocks, warrants, options and ADRs. Some, but not all, of the equity securities will pay a dividend. Our investments in debt securities may include, but are not limited to, U.S. Treasury notes and bonds, investment grade corporate debt securities, convertible debt securities, and debt securities below investment grade (high yield or junk bonds).

We have a fundamental approach to our securities analysis, relying on a variety of information sources including, but not limited to, company filings, financial periodicals, and corporate rating services relating to historical prices of securities, dividends, and earnings, annual reports, prospectuses, and research materials prepared by third parties. This information allows us to perform a fundamental analysis, a method of evaluating a security in which we attempt to determine the intrinsic value of a security by examining certain economic, financial, and other qualitative and quantitative factors, including both macroeconomic factors.

Portfolios are adjusted when shifts in our expectation of risk and reward for each security varies sufficiently. At times, turnover can be low and at other times it may rise.

### *Related Risks*

Our investment strategies generally carry different levels of risk. In each strategy, all securities include a risk of loss of principal and any profits that have not been realized. As a result, there is a risk of loss of the assets we manage on your behalf, and as such, we cannot guarantee any level of performance and cannot guarantee that you will not experience a loss of your account assets. There is also a risk that we may make poor security selections or focus on securities in a particular sector, category, or group of companies that underperform, which may result in us unsuccessfully executing our strategies or losses to our clients.

In addition, the material risks of equity securities in which we invest may include:

**Market Risk:** The prices of the securities in which we invest may decline for a number of reasons. The price declines of common stocks, in particular, may be steep, sudden and/or prolonged.

**Stock/Company Specific Risk:** Stocks may be volatile, in that their prices may go up and down dramatically over the shorter term. These price movements may result from factors affecting individual companies (e.g., quality of management risk, reputational risk, price per share risk, and product development risk), industries, the securities market as a whole, or the overall economy.

**Value Investing Risk:** From time to time “value” investing falls out of favor with investors. When it does, there is the risk that the market will not recognize a company’s fundamentals within a timeframe advantageous to our investment. During these periods, the relative performance of our investment strategies may suffer. In addition, value stocks tend to be inexpensive relative to their earnings or assets compared to other types of stocks. However, value stocks can continue to be inexpensive for long periods of time and may not ever realize their full value.

**Large-Capitalization Stock Risk:** The stocks of large-capitalization companies are generally more mature and may not be able to reach the same levels of growth as the stocks of small- or mid-capitalization companies.

**Smaller-Capitalization and Medium-Capitalization Companies Risk:** These companies typically have relatively lower revenues, limited product lines and lack of management depth, and may have a smaller share of the market for their products or services, than larger-capitalization companies. The stocks of these companies also tend to have less trading volume than stocks of larger-capitalization companies. Less trading volume may make it more difficult to sell securities of such companies at quoted market prices. Similar to value investing, there are periods when investing in smaller-capitalization and medium-capitalization stocks falls out of favor with investors and the stocks of such companies underperform.

**Sector Risk:** Companies or issuers that are in similar industry sectors may be similarly affected by particular economic or market events. To the extent a portfolio has substantial holdings within a particular sector, the risks associated with that sector increase.

**Focused Investing Risk:** Focusing investments in a small number of issuers increases risk. A focused portfolio may be more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio might be. A focused portfolio's performance may be more volatile than a portfolio that holds a greater variety of securities.

**Liquidity Risk:** Liquidity risk exists when particular investments are difficult to sell. Although most of our portfolios' securities are generally liquid at the time of investment, securities may become illiquid after purchase by the portfolio, such as during periods of market turmoil. When a portfolio holds illiquid investments, the portfolio may be harder to value, especially in changing markets, and if a portfolio is forced to sell these investments to meet redemptions or for other cash needs, the portfolio may suffer a loss.

As noted above, we specialize in investing in domestic (U.S.) equities; however, we may also invest in foreign equities and both foreign and domestic debt. In addition, when implementing our investment strategies for clients, we use strategies which may include long and short term purchases, margin transactions, and options writing, including covered options or uncovered options. Such investing may involve additional risks other than those discussed above, including, but not limited to, the following:

**Credit Risk:** The issuer of bonds or other debt securities may not be able to meet interest or principal payments when the bonds come due.

**Interest Rate Risk:** Fixed-coupon payments (cash flows) of bonds and debt securities may become less competitive with the market in periods of rising interest rates and cause bond prices to decline.

**Call Risk:** Some bonds give the issuer the option to call or redeem the bonds prior to maturity date. If an issuer calls its bonds in a period of declining interest rates there is a risk that there may not be bonds with similar characteristics paying the same interest rate available to buy with those proceeds. Callable bonds can be susceptible to greater price fluctuation than non-callable bonds during periods of market illiquidity or changing interest rates.

**High Yield Risk:** Below-investment grade debt securities and unrated securities of similar credit quality (commonly known as "junk bonds" or "high yield securities") may be subject to greater levels of interest rate, credit, and liquidity risk.

**U.S. Government Securities Risk:** Obligations of certain government agencies are not backed by the full faith and credit of the U.S. government. If one of these

agencies defaults on a loan, there is no guarantee that the U.S. government will provide financial support.

**Derivatives Risk:** Complexity and rapidly changing structure of the derivatives market may increase the possibility of market losses.

**Counterparty Risk:** Counterparties to derivatives contracts may not be able to meet interest, principal, or settlement payments or otherwise honor their obligations.

**Foreign Investment Risk:** Securities or other investments of foreign issuers involve additional risks (such as risks arising from less frequent trading, changes in political or social conditions, and less publicly available information about non-U.S. issuers) that differ from those associated with investing in securities of U.S. issuers and may result in greater price volatility.

**Political Risk:** Changes in the political status of any country can have profound effects on the value of investments exposed to that country.

**Currency Risk:** Fluctuations in exchange rates may affect the total loss or gain on a non-U.S. dollar investment when converted back to U.S. dollars.

**Leverage Risk:** Use of leverage, including margin transactions, can magnify relatively small market movements into relatively larger losses for an account.

## **Item 9: Disciplinary Information**

We have no disciplinary information to disclose.

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

### *Affiliations*

As noted in “Item 4 – Advisory Business” of this brochure, AMG holds a majority equity interest in us. AMG does not have any role in the day-to-day management of Yacktman. AMG also holds equity interests in certain other investment advisers (“AMG Affiliates”). Each of the AMG Affiliates, including us, is operated autonomously and independently, and except as described in this brochure, we do not have any business dealings with these AMG Affiliates and do not conduct any joint operations with them. Yacktman carries out its asset management activity, including the exercise of investment discretion and voting rights, independent of the AMG Affiliates. Moreover, the AMG Affiliates do not formulate advice for our clients and do not, in our view, present potential conflict of interest with our clients. More information regarding AMG, including its public filings and a list of all AMG Affiliates, is available at [www.amg.com](http://www.amg.com).

Yacktman is party to client service/marketing agreements with subsidiaries of AMG under which the AMG subsidiaries introduce Yacktman’s investment management services to

prospective institutional clients and/or provide institutional client services to certain of Yacktman's clients in various foreign jurisdictions. Yacktman pays the AMG subsidiaries a fee for these services. The AMG subsidiaries are not broker/dealers or investment advisers. Depending on the foreign jurisdiction, the AMG subsidiaries may be registered or exempt from registration, as appropriate, with the relevant foreign financial regulatory authorities.

We also have a marketing agreement with Managers Investment Group LLC ("Managers"), an AMG Affiliate, under which Managers markets our investment management services to unaffiliated third-party intermediaries that sponsor sub-advised mutual funds and/or other platforms. We pay Managers a fee for these services.

We have mutual fund sub-advisory agreements with Managers under which we serve as sub-adviser to the Yacktman Fund and Yacktman Focused Fund (the "Funds"), which are mutual funds in the Managers Funds family of mutual funds, which are sponsored and advised by Managers. As described in each prospectus, the Funds pay Managers advisory fees, and Managers pays us sub-advisory fees with respect to the Funds that we sub-advise. The fees payable to us may be reduced by the amount of certain shareholder servicing fees paid by Managers on behalf of the Funds, under an agreement by which we have agreed to reimburse Managers for a certain portion of these fees.

Certain Yacktman employees, including principals, are invested in the Funds and/or other investment strategies or accounts that are managed by Yacktman. To the extent permitted by applicable law, investment management fees and/or other expenses associated with these investments may be waived by Yacktman in its discretion. In addition, Yacktman may reimburse, from its own assets and at its discretion, management fees paid by Yacktman employees with respect to their investments in the Funds.

We receive a material portion of our revenues from investment management fees from the Funds. See Item 5 – "Fees and Compensation" for a description of the advisory fees paid by the Funds.

We may recommend to our clients the purchase of shares of the Funds, and our aggregate compensation may increase as a result of the purchase of shares of a Fund by our clients. However, the value of such Fund shares is excluded from the value of a client's account for purposes of computing our management fee with respect to that account. This exclusion is done in order to prevent us from receiving a fee from both the client and the Funds with respect to the same assets under management.

We do not believe these relationships present any potential conflict of interest for us with respect to our clients.

#### *Other Financial Activities*

Neither Yacktman nor any of its management persons are registered, or have an application pending to register, as a broker/dealer, futures commission merchant,

commodity pool operator, commodity trading advisor, or an associated person of one of the foregoing types of entities.

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

We have adopted a Code of Ethics (“Code”) that applies to all Yacktman employees, including principals. The Code describes the standard of business conduct required by employees, and sets forth provisions relating to confidentiality, insider trading, personal securities trading, gifts and entertainment, and political contributions, among other things.

In order to ensure that employees strictly adhere to the highest standards of conduct and integrity in handling business on behalf of our clients, employees sign an annual attestation that they have read and understand our Code. Clients and prospective clients may request a complete copy of our Code by writing to the Chief Compliance Officer (“CCO”) at the address listed on the cover page of this brochure.

#### *Personal Securities Trading*

Employees may trade for their personal account in securities (including the Funds) which are owned by a client, but the interests of the client always take precedence.

Specifically, the Code requires employees to “pre-clear” certain personal trades with the CCO, who also reviews employee trades on a regular basis. Pre-clearance involves obtaining prior approval by submitting a request to trade in one’s personal account to the CCO. All pre-cleared orders must be executed by the end of the calendar day pre-clearance is granted, with limited exceptions. If any order is not executed in a timely manner, a new request for pre-clearance must be submitted before the order can be executed.

Employees must provide the CCO with a listing of their securities holdings on an annual basis. In addition, on a quarterly basis, employees must provide the CCO with duplicate copies of quarterly transaction reports.

These restrictions and requirements apply to all accounts over which employees have investment discretion, or in which they have a direct or indirect beneficial ownership interest.

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

Employees, including principals, may invest their own assets in accounts managed by Yacktman (i.e., proprietary accounts), including funds managed by Yacktman. These accounts may hold, purchase, or sell the same securities in which you have interests, and may utilize the same investment strategies available to you. We thus may have an incentive to favor accounts in which employees invest with respect to trading opportunities, trade allocation, and allocation of investment opportunities. As such, Yacktman requires that any orders for proprietary accounts that are managed by Yacktman

must be executed after all client orders have been executed for that security in the same strategy for the same set of transactions.

We may also recommend to clients that they buy or sell securities in one of the Funds. See “Item 10 – Other Financial Industry Activities and Affiliations” for a discussion on investments by clients in the Funds and the fees we receive.

In addition, due to the nature of our clientele, we may, from time to time, trade in securities issued by our clients. In all such instances, we will do so in what we believe to be the best interest of our clients who are trading in such securities. We will not, under any circumstances, consider a security issuer’s status as a client of our firm when determining to trade in that issuer’s security on behalf of other client accounts.

We do not engage in principal trades, where we as a company buy securities directly from, or sell securities directly to, our clients.

### **Item 12: Brokerage Practices**

Generally, we are retained on a discretionary basis and are authorized to determine and direct execution of portfolio transactions within your specified investment objectives. We have a fiduciary duty to seek best execution, and to ensure that trades are allocated fairly and equitably among clients over time.

#### *Brokerage Relationships*

Our relationships with broker/dealers, particularly those affiliated with large financial services organizations, are complex. We use various broker/dealers to execute trades on your behalf, but we may also have other relationships with such firms. For example:

- We may invest client assets in securities issued by broker/dealers or their affiliates.
- We may provide investment management services to certain broker/dealers or their affiliates.
- Certain broker/dealers may provide us with both proprietary and third-party research.
- Certain brokers/dealers may refer clients to us.

Notwithstanding such relationships or business dealings with these broker/dealers, we have a fiduciary duty to you to seek best execution when trading with these firms, and we have implemented policies and procedures to monitor our efforts in this regard.

#### *Best Execution – Selection Factors for Broker/Dealers*

Many of the transactions that we effect for our clients involve payment of a brokerage commission by the client. As noted above, in placing purchase and sale orders for portfolio

securities for our clients who have not directed us to use certain broker/dealers, we have a duty to seek best execution for transactions. “Best execution” of orders is generally understood to mean the most favorable cost reasonably obtainable under the circumstances. In selecting broker/dealers to effect portfolio transactions, the determination of what is expected to result in best execution at the most favorable price involves a number of largely judgmental considerations. Specifically, when we allocate trades to broker/dealers, we typically review and consider the following criteria which may include, but is not limited to:

- A. Our past experience with the broker/dealer or the proven ability of the broker/dealer to perform the trades;
- B. The difficulty of executing the trade in question (whether due to liquidity, volatility, speed of the broker/dealer or communication feedback);
- C. The ability of the broker/dealer to allocate “block trades” for multiple accounts at average pricing;
- D. Whether the broker/dealer makes available soft dollar or other research incentives;
- E. The ability of the broker/dealer to handle size execution;
- F. The ability of the broker/dealer to report trades via the Depository Trust Company;
- G. The ability of the broker/dealer to service special needs, e.g., certifications/transfers/restrictions; and
- H. The price of the broker/dealer’s commissions alone.

We have implemented a series of internal controls and procedures to address the conflicts of interest associated with our brokerage practices. Portfolio managers rate the quality of trade execution and the services provided by the broker/dealers used on a regular basis. Portfolio managers, as a group, decide which broker/dealers they want to utilize and the list is reviewed with the CCO. The CCO then conducts a regular survey of the criteria used by the portfolio managers to judge the best execution provided by the broker/dealers.

We do not consider any client referrals from a broker/dealer when determining best execution, or when placing client trades, and we do not use any affiliated brokers/dealers.

#### *Directed Brokerage*

We permit clients to direct brokerage, although we may reserve the right to reject or limit client requests for directed brokerage. Specifically, to request a particular broker/dealer, a client must notify us in writing as to which broker/dealer they want to utilize. If a client directs brokerage, we may be unable to achieve the most favorable execution of that



client's transactions, and the client may pay higher brokerage commissions for the reasons discussed below.

If a client has directed brokerage, we will not negotiate commissions on the client's behalf. As a result, the client may pay materially different commissions from those paid by our other clients. The amount of such commissions will depend on the client's commission arrangement with the broker/dealer.

For directed brokerage accounts, we will not negotiate volume discounts on so-called "block trades" (namely, orders for the purchase or sale of the same security for more than one of our accounts, including the client). For those clients who do not direct us to use a particular broker/dealer, we may be able to negotiate reduced commission rates for transactions through certain broker/dealers. Such reduced commission rates generally apply to all transactions effected through the broker/dealer, including so-called "block trades." See "Aggregation of Trades" sub-section below.

In addition, when trading for bundled fee accounts, we may trade with different broker/dealers than for our other accounts, even when trading in the same security pursuant to the same strategy. When trading in bundled fee accounts, and while we continue to seek best execution when selecting broker/dealers, trades for bundled fee accounts are typically directed to the account program sponsor (or its designated broker/dealer), since brokerage commissions are included in the bundled fee. In such situations, we may be required to trade a bundled account program's accounts separately from other accounts being managed within the same strategy. While directed brokerage is designed to benefit the bundled account program through lower trading costs, there may be some circumstances where directed trades do not receive the best price, or where dividing the trade into separate components may inhibit our ability to obtain the same level of or as timely execution we may otherwise have been able to obtain if we had been able to execute the entire trade with one broker/dealer. For additional information with respect to trading related to wrap account programs, please see the sub-section entitled "Wrap Fee Programs" under "Item 4 - Advisory Business" of this brochure.

Clients who chose directed brokerage should understand that similar brokerage services may be obtained from other broker/dealers at lower costs and possibly with more favorable execution. In instances where a client uses directed brokerage, a randomizer is used to execute trades in order to avoid favoring any broker/dealer over another.

### *Soft Dollars*

As noted above, in allocating brokerage business, we also take into consideration the research, analytical, statistical and other information and services provided by the broker/dealer in exchange for client commission dollars. This practice is commonly referred to as using "soft dollar benefits" or "soft dollars." This practice creates a conflict of interest because soft dollar transactions generally cause clients to pay a commission rate higher than would be charged for execution only. When we use client brokerage commissions to obtain research or other products or services, we receive a benefit because

we do not have to produce or pay for the research, products or services. As such, we may have an incentive to select or recommend a broker/dealer based on our interest in receiving the research or other products or services, rather than on our clients' interest in receiving most favorable execution. The products and services received through soft dollar transactions are designed to augment our own internal research and investment strategy capabilities, and may include:

- A. Proprietary research reports or research developed by a third party on companies and industries of particular interest to us;
- B. Current and historical statistical information, general economic data, and information on pertinent federal and state legislative developments and changes in accounting practices;
- C. Direct access by telephone or meeting with leading research analysts throughout the financial community, corporate management personnel, industry experts, leading economists and government officials;
- D. Comparative performance evaluation and technical measurement services;
- E. Economic advice; and
- F. Securities quotations.

We are not obligated to choose the broker/dealer offering the lowest available commission rate if, in our reasonable judgment, the total cost or proceeds from the transaction may be less favorable than what may be obtained elsewhere or if a higher commission is justified by the service and/or research provided by another broker/dealer. The research products/services provided by broker/dealers through soft dollar arrangements benefit our investment process for client accounts and may be used in formulating investment advice for any and all clients, including accounts other than those that paid commissions to the broker/dealers on a particular transaction. Nonetheless, not all research generated by a particular client's trade will necessarily benefit that particular client's account.

During the last fiscal year, the procedure used to direct client transactions to specific broker/dealers in return for soft dollar benefits was simple. We made a determination as to whether there was a need for additional soft dollar benefits. If there was such a need, all trades for the selected broker/dealer were designated as soft dollar trades until the determination for the need of additional soft dollar benefits was terminated. During that period, client trades executed at the selected broker/dealer paid soft dollar commissions.

#### *Trade Rotation*

In effecting trades that require execution through multiple brokers, we submit the entry of the trades in a manner that is designed to provide no advantage to any individual account or group of accounts over time. Generally, the order of submission of transactions will be set on a random or rotational basis. However, when determining the order of submitting

transactions, we will also consider several other factors, including, but not limited to: In making this determination, we review and consider the factors below. After considering the factors below, the priority for order entry will be set on a random basis:

- A. The liquidity of the issue in question and the broker/dealer's speed of response and ability to execute without negatively effecting price.;
- B. The availability or need of cash in a given account or group of accounts.;
- C. The relative size or position of the issue in question relative to other accounts or groups of accounts; and.
- D. The size of orders to be executed through the same broker.

#### *Aggregation of Trades*

When two or more accounts are simultaneously engaged in the purchase or sale of the same security, we may, but are not obligated to, combine and aggregate the transactions to form a "bunched trade" or "block trade." In such cases, these accounts will receive the average price of the transactions in that security for the day. When in our judgment it is reasonable for the benefit of our clients, we generally aggregate purchases and sales of securities, "block trades." When we engage in "block trades," we allocate securities to individual client accounts in a manner that is designed so that no individual account is disadvantaged over time.

Since more than one account's orders are included in a block trade, we have adopted a policy of using a "pro-rata allocation" to allocate the trade among each account whose order makes up part of the block. Under a pro-rata allocation, as securities are being purchased or sold as part of the block trade, the securities are being allocated to (or away from, in the case of a sale) accounts in the proportion by which each account's order size (as determined by the portfolio manager at the time of order entry) makes up a percentage of the entire block.

In rare circumstances, it may not be possible to fill the entire aggregated trade, which results in a partially filled "block trade." In allocating a partially filled "block trade," we allocate in a manner that is designed to provide no advantage to any individual account over time. In making this determination, we will generally allocate based on a pro-rata basis, although we will also consider the following factors:

- A) The availability or need of cash in a given account; and
- B) The relative size or position of the issue compared to the rest of the accounts.

We believe that, in most instances, a pro-rata allocation of block trades will assure fairness. However, we also recognize that no rigid formula will necessarily lead to a fair and reasonable result, and that a degree of flexibility to adjust the formula to accommodate specific circumstances is necessary when determining how to allocate block trades.

Therefore, under certain circumstances, allocation of block trades on a basis other than strictly pro-rata may occur if we believe that such allocation is fair and reasonable. Nevertheless, all securities purchased or sold through a block trade, including expenses incurred in the transaction, will be allocated on a fair and equitable basis over time, to the extent practicable, without favoring any account or type of account or client (including any proprietary or affiliated account).

The ability of a client account to participate with other accounts in bunched/block transactions may produce better execution for the individual client account. However, in some instances, a client may have designated a specific broker/dealer to whom trades must be directed. See the “Directed Brokerage” sub-section above. In such cases, since we will place the client’s trade with the designated broker/dealer as instructed rather than include the client’s order in the block trade, the client may not necessarily get the better price and/or level of execution that those clients who participate in the block may receive.

#### *Broker or Dealer Recommendations*

From time to time, we may make broker or dealer recommendations to clients. Such recommendations are made at the request of the client and do not impact our best execution obligations to our clients.

### **Item 13: Review of Accounts**

Our Investment Team regularly reviews the assets and holdings of the accounts under their supervision. More frequent reviews may be triggered by unusual market activity or changes in your investment circumstances. The Client Accounting Manager performs reconciliations of our records of the securities and cash within your account against the records of the custodians who actually hold the securities and cash. Positions are typically reconciled on a monthly basis and cash is typically reconciled on a daily basis. To the extent any discrepancy is identified through the performance of these reconciliations, the Client Accounting Manager will work with both our internal team and the custodian to resolve any such discrepancy.

Regular reviews of client accounts are also typically conducted on at least a quarterly basis by the CCO for adherence to internal investment guidelines, client-mandated or contractual guidelines, and regulatory requirements. Accounts are also compared against other accounts invested in a similar manner to assess the consistency of holdings and performance, and to reconcile any outliers or other exceptions that are found.

We typically provide you with written reports regarding your accounts on a quarterly basis. These reports summarize your individual holdings, asset allocation, industry diversification, yield, cost basis, market values, realized gains and losses, and transaction activity. Depending on your particular needs, reports may be further customized if mutually agreed upon.

You will typically receive confirmations for transactions and monthly statements from the custodian of your account. Custodians generally issue quarterly statements if no monthly account activity has taken place. Our reports may vary from custodial statements based on accounting procedures, reporting dates, and/or valuation methodologies of certain securities. The statements and records of the custodian are the official books and records for the account upon which reconciliations are based.

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

We do not have any agreements with unaffiliated third-party solicitors. We are party to agreements with certain AMG affiliates pursuant to which we pay the affiliate a fee for services rendered to Yacktman to support Yacktman's provision of investment advisory services to clients. See "Item 10 – Other Financial Industry Activities and Affiliations" for additional details about these arrangements.

#### **Item 15: Custody**

We do not act as a custodian over the assets in the accounts we manage for you, except as deemed a "custodian" by applicable law, as discussed below. You must make arrangements for actual custody of securities in your accounts with a qualified custodian. Such custodians may be broker/dealers, banks, trust companies, or other qualified institutions. This qualified custodian will typically provide you with account statements on at least a quarterly basis. You should carefully review the statements upon receipt to determine that they completely and accurately state all holdings in your account and all account activity over the relevant period. Any discrepancy identified by you should be immediately reported to us and the qualified custodian.

In addition to the account statements provided by qualified custodians to our clients, we typically provide account appraisals to clients on a quarterly basis. See "Item 13 – Review of Accounts" of this brochure. As such, we encourage clients to compare the statements provided to them by us against those provided to them by the qualified custodians who hold the assets of their accounts, and to report any questions, concerns, or discrepancies to both us and the qualified custodian promptly.

In limited instances, a portfolio manager serves as Trustee for certain client accounts. In such instances, we are deemed, under federal securities laws, to have custody of these client assets by virtue of the portfolio manager's role as Trustee to these accounts. In such cases, the assets are maintained by independent, unaffiliated qualified custodians. In addition, and as required by applicable law, we have engaged an independent accountant to perform surprise audits of these accounts on an annual basis.

In some instances, upon client authorization, we may submit requests for payment directly to our clients' broker/dealers. In such instances, Yacktman will take reasonable measures to confirm that such broker/dealers, who are qualified custodians, are sending statements at least quarterly to their clients.

## **Item 16: Investment Discretion**

We generally have discretionary authority to make all investment decisions on your behalf. Our authority to exercise investment discretion is agreed upon in advance through the terms of our investment advisory agreement with you. When selecting securities and determining amounts of securities for purchase or sale, we observe investment policies, limitations, and restrictions that you set forth. Any investment guidelines and restrictions, including amendments, must be provided to us by you in writing.

### *Class Action Suits and Other Legal Actions*

We will instruct your custodian regarding any voluntary corporate actions for which the custodian has made us aware. A voluntary corporate action is an action where the shareholder elects to participate in the action. A response is required by the corporation to process the action.

We shall not be responsible for instructing the custodian regarding mandatory corporate actions. A mandatory corporate action is an event initiated by a corporation by its board of directors that affects all shareholders.

We are not obligated to take any legal action with regard to class action suits relating to securities in your account. We do not provide legal advice and, accordingly, do not determine whether you should join, opt out of, or otherwise submit a claim with respect to any legal proceedings, including bankruptcies or class actions. This policy applies to all securities held or previously held in your account. We generally do not have authority to submit claims or elections on behalf of clients in legal proceedings. You are encouraged to seek your own legal counsel prior to participating in any class action suit. Should you wish to take action regarding any class action suit proceeding, your custodian will provide you with information that may be needed.

## **Item 17: Voting Client Securities**

Since client accounts may hold stocks or other securities with voting rights, clients often have the right to cast votes at the corporate issuers' shareholder meetings. However, since shareholders often do not attend shareholder meetings, you have the right to cast your votes by "proxy." In such cases, you will either retain proxy voting authority or you may delegate to us authority to vote proxies on securities held in your account, when requested in writing and mutually agreed upon.

To assist us in voting proxies on your behalf, we have adopted a proxy voting policy that sets forth our proxy voting procedures and guidelines. In general, when voting proxies for you, we make voting decisions consistent with what we believe to be your "economic best interests" and review each proxy on a case-by-case basis, with the final decision based on the merits.

### *Proxy Agent*

To assist us in reviewing proxies, we may engage a third-party administrator (“proxy agent”). This proxy agent is retained to conduct proxy research, analyze each proposal, make a recommendation to us on how the vote should be cast on the issue, execute the proxy vote and keep various records necessary for tracking proxy voting materials and proxy voting actions taken for the appropriate client account.

After Yacktman’s Senior Management has reviewed the recommendation made by the proxy agent, a decision is made how to vote, and we will instruct the proxy agent, in writing, how to vote the proxy and the proxy agent will cast the vote on your behalf.

### *Voting Guidelines*

Set forth below are the general guidelines we utilize for voting proxies on behalf of our clients:

- A. With respect to routine matters, such as the election of directors and the ratification of auditors, we tend to vote with management, although we reserve the right to vote otherwise.
- B. With respect to proposals related to social, environmental or political matters, we tend to vote with management, but the economic interest of the client is the foremost consideration when determining how to vote on such proposals.
- C. With respect to proposals related to shareholder sovereignty, we tend to vote against any proposal that limits shareholder influence on management or adversely affects the potential value received by shareholders.
- D. With respect to the approval of stock option plans, we generally vote against such plans.

### *Conflicts of Interest*

There may be instances where our interests may conflict or appear to conflict with your interests. In such situations we will, consistent with our duty of care and duty of loyalty, typically vote the securities in accordance with our proxy voting policy, but only after disclosing any such conflict to you prior to voting and affording you the opportunity to direct us in the voting of such securities.

If you would like a copy of Yacktman’s Proxy Voting Policy, or if you would like to review how we voted on a particular security in your account, or if you would like further information on the proxy agent’s proxy voting recommendations, please contact us in writing.

### **Item 18: Financial Information**

We have no financial conditions that impair our contractual or fiduciary commitments to clients and we have not been the subject of any bankruptcy proceeding.



## **Appendix A**

### **YACKTMAN ASSET MANAGEMENT LP Privacy Policy March 2013**

#### **Our guiding principals**

The relationship between Yacktmán Asset Management and our clients is the most important asset of our firm. We strive to maintain your trust and confidence in our firm, an essential part of which is our commitment to protecting your privacy. Accordingly, keeping our clients' non-public personal information confidential is our top priority. As such, we do not share or disclose any non-public personal information about our clients or former clients to non-affiliated third parties, unless required by law, at your direction, or as necessary to provide services to you, as described below.

#### **Type of information we collect**

Yacktmán Asset Management collects non-public personal information to provide investment management services to you. The type of information includes, but is not limited to:

- Information we receive from you to open an account or provide investment advice to you, e.g., name, addresses, phone numbers, financial information;
- Information that we generate to service your account, e.g., trading activity and performance information;
- Information provided to us by third parties authorized to service your accounts, such as attorneys, consultants, and brokers; and
- Other information required for transacting business on behalf of the client.

#### **Affiliates to whom we disclose information**

We share information with our affiliates as part of our normal financial reporting processes, as necessary to transact business on behalf of clients and when necessary to assist us in communicating on behalf of the client.

#### **Non-affiliated parties to whom we disclose information**

We will disclose client information to non-affiliated service providers when necessary to transact business on behalf of the client or when necessary to assist us in communicating on behalf of the client. Such organizations might include client, bank, or accounting representatives (when authorized by client), our auditors, our legal counsel, and proxy

voting agent. We do not disclose information about our former clients (other than to the parties described above and for purposes listed above).

### **Type of information we disclose**

We only disclose information as necessary to transact business in customer accounts. In addition, we must provide information necessary for audits and all other information as required by law. Client references are disclosed with prior approval of the client. We do not sell our client information.

### **How we protect your client information**

To fulfill our privacy commitment at Yacktman Asset Management, we have implemented physical, electronic, and procedural safeguards to protect the information we maintain about you. These include:

- Limiting access to electronic information by electronic safeguards, such as passwords for access to our networks and computers;
- Limiting access to personal information to those employees who need it to perform their job duties; and
- Requiring third parties that will perform services involving client information to agree to keep your information strictly confidential.