

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



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This brochure provides information about the qualifications and business practices of Forethought Investment Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 317-223-2703. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about Forethought Investment Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 167429.

## **Item 2    Material Changes**

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure, dated 05/15/2013, is prepared according to the SEC's new requirements and rules.

After our initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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## **Item 4    Advisory Business**

Forethought Investment Advisors, LLC is a SEC-registered investment adviser with its principal place of business located in Indiana. Forethought Investment Advisors, LLC (“FIA”) began conducting business in 2013.

The firm's principal shareholder (i.e., those individuals and/or entities controlling 25% or more of our advisor.), Forethought Financial Group, Inc. a Delaware Corporation (“FFG”) a 100% owner of FIA.

We offer three separate and distinct advisory services to our clients. They include **Individual Portfolio Management** or direct advisory services, **Manager of Manager’s** advisory services where FIA selects a registered investment advisor to sub-advice client assets and third, **Selection and Monitoring of 3<sup>rd</sup> Party Money Managers** where FIA selects a manager based on specific criteria and monitors their activity and invests in registered Investment Company Act of 1940 securities as well as other securities. Specific details for each of these services are as follows:

### **1) Individual Portfolio Management**

Our firm provides continuous asset management of client funds based on the individual needs of the client. Through discussions in which goals and objectives based on the client's particular circumstances are established, we develop the client's Investment Policy Statements (“IPS”). We create and manage a portfolio based on that policy. During our data-gathering process, we determine the client’s individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we may also review and discuss a client’s prior investment history, as well as family composition and background.

### **2) Managers of Managers Program**

FIA offers advisory management services to clients through the Manager of Managers Program. We provide the client with an asset allocation strategy developed through discussions in which the client's goals and objectives are established based on the client's particular circumstances. This asset allocation strategy is drafted into the client's IPS.

FIA performs management searches of various registered investment advisers. Based on the client's individual circumstances and needs (as exhibited in the client's IPS) we determine which selected registered investment advisers ("adviser" or "asset manager") portfolio management style is appropriate for that client. Factors considered in making this determination include account size, risk tolerance, the opinion of each client and the investment philosophy of the selected asset manager. Clients should refer to the asset manager's Firm Brochure or other disclosure document for a full description of the services offered. Client meetings are available on a regular basis, or as determined by the client, to review the account.

Once we identify the most appropriate asset manager(s), our firm provides the selected adviser with the client's IPS, who then creates and manages the client's portfolio based on that IPS.

On an ongoing basis, we monitor the performance of the asset manager(s). If we determine that a particular adviser is not providing sufficient management services to the client, or is not managing the client's portfolio in a manner consistent with that client's IPS, then we may move the client's portfolio to a different asset manager and/or program sponsor. Under this scenario, our firm retains the discretion to hire and fire the asset manager and/or to move the client's portfolio to a different program.

At least annually, we meet with the client to review and update, as necessary, the client's Investment Advisory Statement. However, should there be any material change in the client's financial situation; we should be notified immediately to determine whether any review and/or revision of the client's Investment Advisory Statement are warranted.

### **3) Selection and Monitoring of 3<sup>rd</sup> Party Money Managers**

FIA offers advisory management services to our clients through the Selection and Monitoring of 3<sup>rd</sup> Party Money Manager Programs (hereinafter, "Programs").

FIA provides the client with an asset allocation strategy developed through discussions in which goals and objectives based on the client's particular circumstances are established. This asset allocation strategy is drafted into the client's IPS.

Based on the client's individual circumstances and needs (as exhibited in the client's IPS) we will then perform management searches of various unaffiliated registered investment advisers to identify which registered investment adviser's portfolio management style is appropriate for that client. Factors considered in making this determination include account size, risk tolerance, the opinion of each client and the investment philosophy of the selected registered investment adviser. Clients should refer to the selected registered investment adviser's Firm Brochure or other disclosure document for a full description of the services offered. We are available to meet with clients on a regular basis, or as determined by the client, to review the account.

Once we determine the most suitable investment adviser(s) for the client, we provide the selected adviser(s) with the client's IPS. The adviser(s) then creates and manages the client's portfolio based on the client's individual needs as exhibited in the IPS.

FIA monitors the performance of the selected registered investment adviser(s). If we determine that a particular selected registered investment adviser(s) is not providing sufficient management services to the client, or is not managing the client's portfolio in a manner consistent with the client's IPS, we may suggest that the client contract with a different registered investment adviser and/or program sponsor. Under this scenario, our firm assists the client in selecting a new

registered investment adviser and/or program. However, any move to a new registered investment adviser and/or program is solely at the discretion of the client.

### **Additional Advisory Business Information**

We manage these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated objectives (i.e., capital appreciation, growth, income, risk tolerance or liquidity), as well as tax considerations.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities but is not limited to these securities:

Equity securities, fixed income securities, warrants, certificates of deposit, municipal securities, investment company securities, U. S. Government securities, options, hedge funds, mezzanine funds, tax incentive funds and private equity partnerships.

We reserve the right to invest in any other types of securities not listed here if it is deemed appropriate for our clients.

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

## **Item 5 Fees and Compensation**

As stated in Item 4 of this brochure and in Item 5E of ADV Part 1 FIA is compensated by its clients by a percentage of assets under management. Additionally we may receive a carried interest fee or an incentive fee. Fees for the three specific types of services we offer are as follows:

### **1) Individual Supervisory Services, Individual Portfolio Management Fees**

Our annual fees for Investment Supervisory Services are based upon a percentage of assets under management and generally range from 0.02% to 1.00%. FIA may charge carried interest fees or incentive fees of 5% to 10%.

Our fees are billed quarterly, in arrears, at the end of each month based upon the value (amortized cost or fair value depending on the client's agreement), of the client's account at the end of the previous billing period. Fees will be debited from the account in accordance with the client authorization in the Client Services Agreement.

There is no minimum amount of assets under management is required for this service.

## **2) Investment Supervisory Services, Manager of Manager Fees**

Contractually, we are paid by the selected asset manager(s), based on a percentage of the client's assets under management with that manager. Accordingly, our fee, which typically ranges from 0.02% to 1.00%, depending on the size of the account, is included in the asset manager's annual management fee. FIA may charge carried interest fees or incentive fees of 5% to 10%.

FIA does not control the fees or the billing arrangements of any selected asset manager. For a complete description of the fee arrangement including billing practices, minimum account requirements and account termination provisions, clients should review the independent investment adviser's Firm Brochure or other disclosure document.

Our fees are billed in arrears at the end of each calendar quarter based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of the previous quarter. Fees will be debited from the account in accordance with the client authorization in the Client Services Agreement.

## **3) Selection and Monitoring of 3<sup>rd</sup> Party Money Managers**

We are paid by the independent adviser selected by the client for portfolio management services. Our fee is based on a percentage of the client's managed assets typically ranges from 0.02% to 1.00% depending on the size of the account. FIA may charge carried interest fees or incentive fees of 5% to 10%.

Clients are provided with a separate disclosure document describing the fee paid to us by such independent registered investment advisers. The total asset management fee, including the referral fee paid to our firm, is disclosed in the independent investment adviser's disclosure document.

## **General Fee Information**

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

***Mutual Fund Fees:*** All fees paid to Forethought Investment Advisors, LLC for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Additional Fees and Expenses:*** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

***Limited Prepayment of Fees:*** Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

***Limited Negotiability of Advisory Fees:*** Although Forethought Investment Advisors, LLC has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

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

As disclosed in Item 5 of this Brochure, FIA may be entitled to receive incentive fees or carried interest fees, which is a form of performance-based compensation. Such a performance-based fee is calculated based on a share of capital gains or capital appreciation of the assets of the client.

Clients should be aware that performance-based fee arrangement may create an incentive for FIA to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

We endeavor at all times to put the interest of our clients first as part of our fiduciary duty as a registered investment adviser; accordingly, we take the following steps to address these conflicts:

1. We disclose to clients the existence of all material conflicts of interest, including the potential for our firm and employees to earn more compensation from advisory clients who pay performance-based fees;
2. We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
3. Our management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to that client's needs and circumstances;
4. We have implemented policies and procedures for fair and consistent allocation of investment opportunities among all client account;



5. We periodically compare holdings and performance of all accounts with similar strategies to identify significant performance disparities indicative of possible favorable treatment;
6. We periodically review trading frequency and portfolio turnover rates to identify possible patterns of “window dressing,” “portfolio churning,” or any intent to manipulate trading to boost performance near the reporting period.
7. We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients and equitable treatment of all clients, regardless of the fee arrangement.

The client must understand the performance-based fee method of compensation and its risks prior to entering into a management contract with us.

Performance-based compensation will only be charged in accordance with the provisions of Rule 205-3 of the Investment Advisers Act of 1940 and/or applicable state regulations.

## **Item 7 Types of Clients**

Forethought Investment Advisors, LLC plans to provide advisory services to the following types of clients:

- Insurance Companies.
- Other corporate entities such as affiliated holding companies.
- Investment Company Act of 1940 funds including but not limited to variable interest trusts.

As previously disclosed in Item 5, our firm does not have an initial minimum account requirement.

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

In managing discretionary client accounts and providing recommendations to clients, FIA utilizes various investment strategies and methods of analysis implemented by FIA.

This Item 8 describes various methods of analysis and investment strategies, as well as the primary risks associated with these investment strategies. However, it is not possible to identify all of the risks associated with investing and the particular risks applicable to a client account will depend on the nature of the account, its investment strategy or strategies and the types of securities held.

### **1) METHODS OF ANALYSIS**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Charting.** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

**Fundamental Analysis.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Cyclical Analysis.** In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

**Quantitative Analysis.** FIA use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

**Qualitative Analysis.** FIA subjectively evaluates non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data.

A risk is using qualitative analysis is that our subjective judgment may prove incorrect.

**Asset Allocation.** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

**Mutual Fund and/or ETF Analysis.** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also

monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

***Third-Party Money Manager Analysis.*** We examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

***Risks for all forms of analysis.*** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## **2) INVESTMENT STRATEGIES**

FIA uses the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

***Long-term purchases.*** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

***Short-term purchases.*** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

While FIA seeks to manage accounts so that risks are appropriate to the strategy, it is often not possible or desirable to fully mitigate risks. Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved. Clients and other investors should understand that they could lose some or all of their investment and should be prepared to bear the risk of such potential losses. Clients and other investors should read carefully all applicable informational materials and offering/governing documents, including OMs and prospectuses prior to retaining FIA to manage an account.

Clients and other investors should be aware that while FIA does not limit its advice to particular types of investments, mandates may be limited to certain types of securities or to the recommendation of investment advisers or managed funds, and may not be diversified. The accounts managed by FIA are generally not intended to provide a complete investment program for a client or investor. Clients and other investors are responsible for appropriately diversifying their assets to guard against the risk of loss.

### ***Fixed Income Mandates***

FIA utilize fixed income strategies that are actively managed, model or index based. Actively managed fixed income mandates generally employ an active investment style that may emphasize rotation among different types of debt on a relative value basis, specific security selection, quantitative analysis of each security and the portfolio as a whole and intensive credit analysis and review. Model-based institutional strategies typically invest across a broad spectrum of global fixed income securities as well as currencies, futures and swaps. A risk controlled, systematic process is utilized for model-based portfolio construction and alpha generation. Alpha sources may include security selection, duration and yield curve positioning, industry rotation, asset allocation, and currency positioning. For institutional index strategies, FIA typically invests in accordance with the risk and return profile of a benchmark either by replicating an index, or utilizing security level or stratified sampling where an index is disaggregated into smaller cells in an effort to match the risk characteristics of each cell.

For certain Private Investors and other SMA program investment strategies, FIA creates and maintains generally applicable guidelines ("Model Guidelines") which may specify particular securities or may specify guidelines for, among other things, the asset class, issuer, duration, maturity and/or credit quality of fixed income securities that may be held in an account following the particular strategy. The Model Guidelines will change from time to time at FIA's discretion based on market and other considerations.

In seeking to achieve long-term investment performance consistent with clients' and other investors' objectives and policies, the Advisers seek to establish a continuous and comprehensive understanding of the investment risks in each portfolio, as well as those risks inherent in the increasingly complex global capital markets.

In addition, FIA's portfolio managers ensure that models reflect market conditions, identify and assess risks, and develop strategies to manage such risks.

### ***Equity Mandates***

An Adviser's equity platform can offer a broad range of products that vary according to investment style (active, scientific, index and/or passive management), market capitalization (small-, mid-, small/mid-, large- and all-cap), and geography (global, international and regional). The product range may also include sector funds, long-only and long-short portfolios, as well as products that combine different strategies to create balanced, multi asset and asset allocation portfolios. For certain Private Investors and other SMA program investment strategies, FIA creates and maintains "target" portfolios of securities, to which securities are added and from which securities are removed from time to time.

### ***Cash Management Mandates***

In cash management portfolios, the investment process emphasizes safety and liquidity over yield. Risk is controlled through intensive, ongoing credit review, stress testing and risk management analysis and diversification.

### ***Alternative Mandates***

An Adviser may manage a variety of alternative investment products intended to take advantage of market opportunities or to meet specific investment mandates. Certain of these products may involve a higher level of investment risk, while seeking greater returns than traditional investment products. These products are generally offered through Private Funds and institutional separate accounts. Private Funds are typically structured as U.S. and non-U.S. limited partnerships, limited liability companies, unit trusts, limited companies or corporations in order to meet the legal, regulatory and tax demands of investors. These products may invest in a wide array of instruments, depending on their respective investment guidelines and objectives, including but not limited to equity securities, warrants, commercial paper, government securities, municipal securities, options contracts, future contracts and private funds. Further information can be found in the relevant OM and/or governing document, if applicable, for each Private Fund or the IMA for each institutional separate account.

FIA may, from time to time and as appropriate, solicit clients to invest in such vehicles, and may make such investments on a discretionary basis on the client's behalf. As these may not be appropriate investments for all clients, not all clients will be offered the opportunity to invest, and not all clients afforded that opportunity will choose to invest.

### ***Multi-Asset Mandates***

FIA may develop and manage investment mandates and products involving multiple strategies and asset classes. FIA may develop asset allocation strategies and liability driven strategies for these mandates.

Multi-asset strategies may utilize a wide variety of asset classes and/or investment styles, and employ a variety of techniques and investment vehicles, including Funds of Funds that invest in hedge funds (including commodity pools), private equities, ETFs and mutual funds or other categories of funds (including FIA managed funds), equities, bonds, cash, alternative investments and derivatives.

### ***Index Mandates***

FIA may provide investment advisory services to index-based US Registered Funds and pooled investment vehicles, including ETFs, commonly referred to as index funds. The investment objective of an index fund is to provide investment results, before fees and expenses that correspond generally to the total return performance, of a particular index, generally developed by an index provider that is not affiliated with FIA. Portfolios managed to track an index have passive investment risk since they are not actively managed and do not attempt to take defensive positions in declining markets.

FIA's index-based Funds of Funds strategies utilize internally managed funds as building blocks to provide performance representative of an index provider. Additionally, we may offer Funds of Funds strategies that allocate to a variety of internally managed funds based on the output of proprietary quantitative models.

### ***Other Strategies:***

#### ***Borrowing and Leverage***

FIA may enter into borrowing arrangements on behalf of certain funds. This may include entering into a credit facility or other means of borrowing with a service provider to a fund, an affiliate of the fund or such service provider or another third-party lender. As a general matter, these borrowing arrangements are used to meet short-term investment and liquidity needs. However, in implementing any of the foregoing investment strategies, we may borrow for leverage or employ other forms of leverage to the extent permitted by investment guidelines or in the case of US Registered Funds, as permitted by the Investment Company Act. The use of leverage entails risks and may involve using reverse repurchase agreements and other borrowing methods, including: (i) dollar rolls; (ii) lending securities through repurchase agreements and other lending methods; (iii) employing hedging strategies that include the use of interest rate swaps, caps and floors; (iv) buying and selling options or futures to manage duration and risk in connection with securities portfolios; (v) entering into forward settlement transactions which may include when-issued securities; (vi) establishing equity futures positions to equitize cash holdings in an account; and (vii) operational leverage embedded in derivative instruments and other financial products. The investment strategies and risks associated with employing leverage are set forth in the relevant operating document and/or OM, if applicable, of each Private Fund and registration statement of each US Registered Fund.

### 3) **RISK OF LOSS**

Certain risks apply specifically to particular investment strategies or investments in different types of securities or other investments that clients and other investors should be prepared to bear. The risks involved for different client accounts or funds will vary based on each client's investment strategy and the type of securities or other investments held in the client's account or the fund. The following are descriptions of various primary risks related to the investment strategies used by FIA. Not all possible risks are described below.

Issuer Risk - A portfolio's performance depends on the performance of individual assets in which the portfolio invests. Changes to the financial condition or credit rating of an issuer of those assets may cause the value of the assets to decline or even become worthless.

Interest Rate and Credit Risk - The two main risks related to fixed income investing are interest rate risk and credit risk. Typically, when interest rates rise, there is a corresponding decline in the market value of bonds. Credit risk refers to the possibility that the issuer of the bond will not be able to make principal and interest payments. The principal on mortgage-backed or asset-backed securities may normally be prepaid at any time, which will reduce the yield and market value of these securities. Obligations of US Government agencies and authorities are supported by varying degrees of credit, but generally are not backed by the full faith and credit of the US Government.

Investments in non-investment-grade debt securities ("high-yield bonds" or "junk bonds") may be subject to greater market fluctuations and risk of default or loss of income and principal than securities in higher rating categories.

Municipal Security Risk - Municipal securities are subject to interest rate and credit risks. There may be less information available on the financial condition of issuers of municipal securities than for public corporations. The market for municipal bonds may be less liquid than for taxable bonds. Some or all of the income from municipal bonds may be taxable. Some investors may be subject to Alternative Minimum Tax. Capital gains distributions, if any, are taxable.

Derivatives and Leverage Risk - Investments in derivatives, such as futures, forward contracts, options, swaps or tender-option bonds, which can be used to hedge a portfolio's investments or to seek to enhance returns, entail specific risks relating to liquidity, leverage and credit that may reduce returns and/or increase volatility. Leverage may involve the use of various financial instruments or borrowed capital in an attempt to increase the return on an investment and may be intrinsic to certain derivative instructions. The use of leverage involves risk, including the potential for higher volatility and greater declines of a portfolio's value, and fluctuations of dividend and other distribution payments.

Non-US Securities Risk - Investments in the securities of non-US issuers are subject to the risks associated with non-US markets in which those non-US issuers are organized and operate, including but not limited to, risks related to foreign currency, limited liquidity, less government regulation, and the possibility of substantial volatility due to adverse political, economic or other developments, differences in accounting, auditing and financial reporting standards, the possibility of repatriation, expropriation or confiscatory taxation, adverse changes in investment or exchange control or other regulations and potential restrictions on the flow of international capital. These risks are often heightened for investments in smaller capital markets or emerging/developing/frontier markets.

Non-Diversification Risk - Non-diversification of investments means a portfolio may invest a large percentage of a portfolio in securities issued by or representing a small number of issuers or exposure types. As a result, the portfolio's performance may depend on the performance of a small number of issuers or exposures.

Equity Securities Risk - Equity securities are subject to changes in value and their values may be more volatile than other asset classes. The price of equity securities fluctuate based on changes in a company's financial condition and overall market, and other conditions.

Small - & Mid – Capitalization Company Risk - Investing in small-capitalization companies may entail greater risk and higher volatility than investing in mid- and large-capitalization companies, due to factors such as shorter operating histories, less seasoned management or lower trading volumes, among other things. Investing in mid-capitalization companies may itself entail greater risk and higher volatility than investing in larger companies.

Short Sell Risk - Short selling entails special risks. If a portfolio makes short sales in securities that increase in value, the portfolio will lose value. Certain securities may not be available or eligible for short sales and short sales may be forced to be covered at times inconsistent with a portfolio's intended strategy. Any loss on short positions may or may not be offset by investing short-sale proceeds in other investments.

Asset Allocation Strategy Risk - Asset allocation strategies do not assure profit or diversification and do not protect against loss.

Index Strategy Risk - Index strategies may not fully replicate the underlying index and are subject to the risk that an investment management strategy may not produce the intended results. Also, index strategies are passively managed and do not take defensive positions in declining markets.

Quantitative Model Risk - When executing an investment strategy using quantitative models, securities or other financial instruments selected may perform differently than expected, or from the market as a whole, as a result of a model's component factors, the weight placed on each factor, changes from the factors' historical trends, and technical issues in the construction, implementation and maintenance of the models (e.g., data problems, software issues, etc.). There can be no assurance that a model will achieve its objective.

Concentration Risk - Concentrating investments in a particular country, region, market, industry or asset class means that performance will be more susceptible to loss due to adverse occurrences affecting that country, region, market, industry or asset class. A portfolio concentrating in a single state is subject to greater risk of adverse economic conditions and regulatory changes than a fund with broader geographical diversification.

Liquidity Risk - Liquidity risk exists when particular investments are difficult to purchase or sell. Liquidity risk may also apply to collateral held on certain investments. This can reduce a portfolio's returns because the portfolio may be unable to transact at advantageous times or prices.

Management Risk - The investment strategies, techniques and risk analyses employed, while designed to enhance returns, may not produce the desired results. The assessment of a particular security or assessment of market, interest rate or other trends could be incorrect, which can result in losses.



**Counterparty Risk** - A transaction entered into directly with a counterparty is subject to the risk that the counterparty will not settle the transaction in accordance with the agreed terms and conditions. A counterparty may become bankrupt or otherwise fail to perform its obligations due to financial difficulties, resulting in significant delays in obtaining any recovery in a bankruptcy or other reorganization proceeding or no recovery in such circumstances.

FIA's investment strategies used also involve the application of hedging and investment techniques to manage the impact of market declines. This results in the purchase or sale of futures, forwards, swaps, options, mutual funds and ETFs. The underlying market factors or securities in the instruments include equity or fixed income indices, bonds, interest rates, currencies and volatility measures.

The risks of these strategies include, but are not limited to:

- **Model risk.** Our models may not accurately represent risk and projected performance, in which case our performance may deviate from expectations.
- **Basis deviations.** There may be deviations between the instruments we use and the risk factors they are meant to manage, introducing basis risk.
- **Gap risk.** Large discontinuous jumps in the market may cause our strategies to underperform.
- **Credit risk.** The hedging strategies we employ can introduce counterparty credit risk, even though we attempt to mitigate it through the use of collateral and clearing mechanisms.
- **Leverage.** Our strategies employ leverage to utilize capital efficiently. While losses should in no circumstance exceed the value of the hedged position, they may be large relative to capital employed.

Securities investments are not guaranteed and you may lose money on your investments. Clients should understand that investing in any securities, including mutual funds, variable annuities and ETF's involves a risk of loss of both income and principal. We work closely with us to help us understand their tolerance for risk.

## **Item 9    Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. FIA and our management personnel have no reportable disciplinary events to disclose.

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

In addition to FIA being a registered investment adviser, our firm is affiliated with a FINRA member broker-dealer. The affiliated broker-dealer is specifically disclosed in Section 7.A. on Schedule D of Form ADV, Part 1, which can be accessed by following the directions provided on the Cover Page of this Firm Brochure.

Some of our management personnel are separately licensed as registered representatives of Forethought Distributors, LLC, and our affiliated FINRA member broker-dealer.

Clients should be aware that the receipt of additional compensation by FIA and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. Forethought Investment Advisors, LLC endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

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

FIA has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

FIA and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

FIA's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [mary.cavanaugh@forthought.com](mailto:mary.cavanaugh@forthought.com), or by calling us at 317-223-2713.

Forethought Investment Advisors, LLC and individuals associated with our firm are prohibited from engaging in principal transactions.

Forethought Investment Advisors, LLC and individuals associated with our firm are prohibited from engaging in agency cross transactions.

As disclosed in the preceding section of this Brochure (Item 10), related persons of our firm are separately registered as securities representatives of a broker-dealer, and/or licensed as an insurance agent/broker of various insurance companies. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

## **Item 12 Brokerage Practices**

For clients in need of brokerage or custodial services, and depending on client circumstances and needs, we may recommend the use of one of several brokers, provided that such recommendation is consistent with our firm's fiduciary duty to the client. Our clients must evaluate these brokers before opening an account. The factors considered by Forethought Investment Advisors, LLC when making these recommendations are the broker's ability to provide professional services, our experience with the broker, the broker's reputation, the broker's quality of execution services and costs of such services, among other factors. Clients are not under any obligation to affect trades through any recommended broker.

Forethought Investment Advisors, LLC will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. Forethought Investment Advisors, LLC will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. Forethought Investment Advisors, LLC's block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with Forethought Investment Advisors, LLC, or our firm's order allocation policy.
- 2) The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable Forethought Investment Advisors, LLC to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight"

perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.

- 4) Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- 6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- 7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
- 8) Forethought Investment Advisors, LLC's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
- 9) Funds and securities for aggregated orders are clearly identified on Forethought Investment Advisors, LLC's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
- 10) No client or account will be favored over another.

### **Item 13    Review of Accounts**

For our three types of services, Direct, sub-adviser and manager of managers FIA does the following:

#### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed as agreed on by contract and at least annually. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by any one of the following professionals: Eric Todd, Cameron Jeffreys, W. Thomas Geibel and Deborah Schunder.

**REPORTS:** In addition to the quarterly statements and confirmations of transactions that clients receive from their broker-dealer, we provide quarterly reports summarizing account performance, balances and holdings.

## **MANAGER OF MANAGERS PROGRAM**

**REVIEWS:** The performance of the registered investment adviser(s) selected to manage client portfolios within our Manager of Managers Program is continually monitored by Forethought Investment Advisors, LLC. Furthermore, accounts within this program are formally reviewed at least quarterly. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by any one of the following professionals: Eric Todd, Cameron Jeffreys and Deborah Schunder. **REPORTS:** In addition to the quarterly statements and confirmations of transactions that these clients receive from their respective broker-dealer, the asset manager(s) selected by FIA to manage the client's portfolio(s) within our Manager of Managers Program provides the client with written quarterly performance reports. Unless otherwise contracted for, we do not typically provide additional reports.

## **SELECTION and MONITORING of THIRD-PARTY MONEY MANAGERS**

**REVIEWS:** These client accounts should refer to the independent registered investment adviser's Firm Brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and frequency of reviews provided by that independent registered investment adviser.

FIA will provide reviews as contracted for at the inception of the advisory relationship.

These accounts are reviewed by any one of the following professionals: Eric Todd, Cameron Jeffreys, W. Thomas Geibel and Deborah Schunder.

**REPORTS:** These clients should refer to the independent registered investment adviser's Firm Brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and frequency of reports provided by that independent registered investment adviser.

Forethought Investment Advisors, LLC will provide these client accounts with reports as contracted for at the inception of the advisory relationship.

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

It is FIA's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

It is FIA's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## **Item 15 Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm may directly debit advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients at least quarterly. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

Our firm does not have actual or constructive custody of client accounts.

## **Item 16 Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

Additionally, for our managers of managers program, we do not "manage" client portfolios in the traditional sense of the definition; rather FIA manages the managers of client portfolios within this program. Accordingly, clients participating in this program grant us authority to hire and fire the selected asset manager(s) managing client accounts when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may change/amend these limitations by once again providing us with written instructions.

## **Item 17 Voting Client Securities**

We vote proxies for all client accounts; however, you always have the right to vote proxies yourself. You can exercise this right by instructing us in writing to not vote proxies in your account.

We will vote proxies in the best interests of FIA's clients and in accordance with our established policies and procedures. Our firm will retain all proxy voting books and records for the requisite

period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify the client of the conflict and retain an independent third-party to cast a vote.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting Mary L. Cavanaugh, CCO by telephone, email, or in writing. Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

You can instruct us to vote proxies according to particular criteria (for example, to always vote with management, or to vote for or against a proposal to allow a so-called "poison pill" defense against a possible takeover). These requests must be made in writing. You can also instruct us on how to cast your vote in a particular proxy contest by contacting us at 300 North Meridian Street, Suite 1800, Indianapolis, IN 46204.

## **Item 18 Financial Information**

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. FIA has no such financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

FIA has not been the subject of a bankruptcy petition at any time during the past ten years.