

Part 2A of Form ADV Firm Brochure

Item 1 –Cover Page

Sarofim International Management Company

Two Houston Center, Suite 2907
Houston, Texas 77010-1083
Tel: 713-654-4484
Fax: 713-654-8184
www.sarofim.com
contact@sarofim.com

Filing Date: March 31, 2011
Date Amended: March 25, 2014

This brochure provides information about the qualifications and business practices of Sarofim International Management Company. If you have any questions about the contents of this brochure, please contact us at 713-654-4484 or contact@sarofim.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Sarofim International Management Company is also available on the SEC's website at www.adviserinfo.sec.gov.

Sarofim International Management Company is an investment adviser that is registered with the SEC in compliance with the Investment Advisers Act of 1940. Such registration does not imply a certain level of skill or training.

Item 2 –Material Changes

Filing Date: March 31, 2011

Date Amended: March 25, 2014

In addition to general updates for the passage of time, Sarofim International Management Company has made certain revisions to this Form ADV Part 2A that we believe may be deemed material. Below is a summary of the potentially material changes; however, please carefully review each item listed below for a full discussion of the impacted topics.

Item 4 – Advisory Business:

- We updated the section to reflect the de-registration of Sarofim Advisors Group, Inc., an affiliated investment advisor that has been inactive for a number of years and is no longer eligible to be registered with the Securities and Exchange Commission.

Item 5 – Fees and Compensation

- We updated the section to provide a more thorough description of our current billing process, including, but not limited to, Sarofim International Management Company's current treatment of cash positions.

Item 10 – Other Financial Industry Affiliations

- We updated our disclosure to include affiliations with Fayez Sarofim & Co., Sarofim Trust Co., and Sarofim Realty Advisors.

Item 12 – Brokerage Practices

- We included additional disclosure surrounding client-directed brokerage, disclosing that trades for accounts with directed brokerage (i) will not be aggregated with other accounts, and (ii) may be executed after trades for other client accounts. Furthermore, due to the nature of these accounts, we disclosed that we will not generally seek better execution services or prices from other broker-dealers.

Item 3 –Table of Contents

| | Page |
|---|------|
| Item 4 –Advisory Business..... | 4 |
| Item 5 –Fees and Compensation..... | 7 |
| Item 6 –Performance-Based Fees and Side-by-Side Management..... | 10 |
| Item 7 –Types of Clients..... | 11 |
| Item 8 –Methods of Analysis, Investment Strategies and Risk of Loss..... | 12 |
| Item 9 –Disciplinary Information..... | 17 |
| Item 10 –Other Financial Industry Activities and Affiliations..... | 18 |
| Item 11 –Code of Ethics, Participation or Interest in Client Transactions, Personal Trading..... | 19 |
| Item 12 –Brokerage Practices..... | 22 |
| Item 13 –Review of Accounts..... | 27 |
| Item 14 –Client Referrals and Other Compensation..... | 28 |
| Item 15 –Custody..... | 30 |
| Item 16 –Investment Discretion..... | 31 |
| Item 17 –Voting Client Securities..... | 32 |
| Item 18 –Financial Information..... | 34 |
| Item 19 –Requirements for State-Registered Advisers..... | 35 |

Item 4 –Advisory Business

Our History and Organization

Sarofim International Management Company was established in November 1993 as a wholly owned subsidiary of Fayeze Sarofim & Co. Fayeze Sarofim & Co. was founded in August 1958 by Fayeze Sarofim, who continues to lead both firms as Chairman, Chief Executive Officer, and Chief Investment Officer.

Sarofim International Management Company is focused on the investment counseling business. Sarofim International Management Company is registered under the Investment Advisers Act of 1940 and regulated by the Securities and Exchange Commission. The firm's registration as an investment adviser does not imply a certain level of skill or training. Fayeze Sarofim & Co is also a registered investment adviser.

Sarofim International Management Company is a wholly-owned subsidiary of Fayeze Sarofim & Co., which itself is a wholly-owned subsidiary of The Sarofim Group, Inc. Fayeze Sarofim is the majority shareholder of The Sarofim Group. The Sarofim Group is the ultimate corporate parent of a group of affiliated corporations that includes the firm, three other registered investment advisers, and other business entities. The other registered adviser affiliates are:

- Fayeze Sarofim & Co.
- Sarofim Trust Co.
- Sarofim Realty Advisors Co.

Sarofim International Management Company is a separate legal entity, and we have our own Board of Directors and elected officers. To a substantial extent, however, our directors and officers are the same as the directors and officers of Fayeze Sarofim & Co. As the oldest and largest member of the group of registered advisers, Fayeze Sarofim & Co. plays the leading role in providing investment advisory services and operational management on behalf of Sarofim International Management Company for our clients. For example, the Investment Committee of Fayeze Sarofim & Co. performs the same function for our firm. From a compliance and regulatory perspective, we have adopted Fayeze Sarofim & Co.'s compliance policies and procedures, and we rely on Fayeze Sarofim & Co.'s personnel to undertake regulatory requirements such as filings with the SEC.

Sarofim International Management Company had client assets under management of \$1,607 million as of December 31, 2013. On the same date, the total client assets managed by the firm and its affiliated investment adviser corporations, were \$31,378 million.

Sarofim International Management Company is not affiliated with a brokerage firm.

Our Advisory Services

Sarofim International Management Company provides investment supervisory services and other investment advisory services to a broad range of clients. Portfolio managers at the firm operate within the guidelines set by our Investment Committee. The Committee is comprised of eight senior investment professionals and chaired by Mr. Sarofim. The Investment Committee is responsible for the firm's portfolio structures and all investment decisions.

Large Capitalization Equity Product

Sarofim International Management Company's primary investment product is our Large Capitalization Equity Product, which is available to both institutions and individuals.

Our equity strategy is focused on domestically traded common stocks with large market capitalizations and high daily trading volumes. American Depositary Receipts, preferred stocks, and foreign stocks may also be included if permitted by client guidelines. We invest in the stocks of high quality, financially sound industry leaders that have an expanding global presence. We maintain a longer term investment perspective of at least three to five years, which generally results in low portfolio turnover and is typically tax efficient for taxable investors. Our strategy does not use derivatives, options, short-selling, leverage, or initial public offerings. We do not attempt to time the market.

Global Equity Product

Institutions and individuals seeking greater international equity exposure may wish to invest in Sarofim International Management Company's Global Equity Product. While the investment approach is similar to that of our Large Capitalization Equity Product, the Global Equity Product has a larger concentration in foreign-based companies and may include shares that are not traded on domestic exchanges. You can access this product by opening a separate account with the firm or by investing in the Dreyfus Worldwide Growth Fund, which is sub-advised by Fayez Sarofim & Co.

Global Equity Product portfolios primarily have their assets in common stock, ordinary shares, or American Depositary Receipts. We focus on high quality multinational companies with large market capitalizations. Generally, at least 25 percent of assets are invested in companies organized in the United States and at least 25 percent of assets are invested in companies organized in other countries. We maintain a longer term investment perspective of at least three to five years, which generally results in low portfolio turnover and is typically tax efficient for taxable investors.

Core Fixed Income Product

Sarofim International Management Company also offers a Core Fixed Income Product, which is available to both institutions and individuals. Our fixed income strategy emphasizes risk-averse management, current income and low cash reserves. Portfolio holdings may include United States Treasury securities, United States government agency securities, high quality corporate bonds, high quality commercial paper, and shares of money market funds. We select specific sectors and securities that we believe offer the best combination of quality, liquidity, income generation, and relative value consistent with our risk parameters. Foreign government and foreign corporate bonds are generally not part of our strategy.

Balanced Portfolios

Sarofim International Management Company will also construct balanced portfolios for institutional and individual clients. These balanced portfolios combine the firm's equity and fixed income strategies in proportions tailored to client requirements.

Meeting Individual Client Needs

The firm manages its separate portfolios for institutions and individuals on an account by account basis, taking into consideration a client's financial resources, investment objectives, and needs. The firm addresses individual requirements for such items as current income, cash flow, and taxes. The firm will also vote the proxies related to securities held in a client's account if requested to do so by the client. Proxies are voted in accordance with the firm's Proxy Voting Policy and established procedures. Please refer to Item 17—Voting Client Securities on page 32.

Sarofim International Management Company prefers not to be constrained by client instructions that prohibit holding certain securities. We believe that the ability to select from the widest range of investments that are consistent with our strategy results in higher returns over time. However, the firm does manage a number of accounts subject to instructions that specify various exclusions or that limit weightings in individual sectors, industries, or securities. We will accept new accounts subject to these types of instructions as long as we do not view the proposed directives as overly restrictive or too difficult or impossible to implement and monitor.

Discretionary and Non-Discretionary Accounts

Sarofim International Management Company will manage clients' assets on either a fully discretionary basis or a non-discretionary basis. Currently, all of our clients have granted us full discretionary authority to manage the investment of assets in their accounts. With full discretionary authority for an account, we are able to do the following without obtaining the client's consent:

- Determine which securities to buy or sell
- Determine the total amount of securities to buy or sell, subject to available funds
- Determine the broker or dealer through which securities are bought or sold
- Negotiate with the selected broker regarding commission rates for securities transactions

Item 12 on page 22 of this brochure provides more information on the firm's brokerage practices, and Item 16 on page 31 discusses investment discretion.

If services are provided on a non-discretionary basis, we give the client investment advice, but we do not have the authority to implement our recommendations in the client's portfolio without the client's approval.

As of December 31, 2013, the firm managed \$1,607 million in client assets on a discretionary basis and no assets on a non-discretionary basis.

Item 5 –Fees and Compensation

Advisory Service Fees

If you open an account at Sarofim International Management Company, the fee you will pay for our advisory services is calculated according to one or more of the schedules presented below. Fees are billed in three month rolling periods, after the end of each such period, and are based on the market value of the assets at the end of the last day of such period on which the New York Stock Exchange is open. Asset-based advisory fees charged for the provision of Sarofim International Management Company's investment management services are based upon the valuation of securities and investments provided by Sarofim International Management Company's pricing services, which are reflected on its internally generated portfolio appraisal statements. These statements may show different market values for particular investments than what is reflected on a client's custodial statement. Sarofim International Management Company maintains policies and procedures regarding the valuation of securities and investments held in client accounts.

Equity Fees: Large Capitalization Equity Product and the Equity Portfolios of Balanced Accounts

The fees for equity securities are calculated as follows:

| Market Value of Equities | Rate |
|--------------------------------|--|
| First \$2,000,000 is billed at | 0.75% (or 75 basis points) per year (i.e., 0.1875% per quarter) |
| Next \$18,000,000 is billed at | 0.50% (or 50 basis points) per year (i.e., 0.1250% per quarter) |
| Next \$20,000,000 is billed at | 0.40% (or 40 basis points) per year (i.e., 0.1000% per quarter) |
| Next \$20,000,000 is billed at | 0.35% (or 35 basis points) per year (i.e., 0.0875% per quarter) |
| Over \$60,000,000 is billed at | 0.20% (or 20 basis points) per year (i.e., 0.0500% per quarter) |

Equity Fees: Global Equity Product

The fees for equity securities in the Global Equity Product are calculated as follows:

| Market Value of Equities | Rate |
|---------------------------------|--|
| First \$50,000,000 is billed at | 0.75% (or 75 basis points) per year (i.e., 0.1875% per quarter) |
| Over \$50,000,000 is billed at | 0.50% (or 50 basis points) per year (i.e., 0.1250% per quarter) |

Fixed Income Fees

The fee for fixed income securities is 0.20%, or 20 basis points, per year, or 0.05%, or 5 basis points, per quarter.

Uncommitted Cash Fees

Our investment advisory agreements authorize Sarofim International Management Company to bill cash positions in our portfolios at an annual rate of 0.20%, or 20 basis points. Cash assets may be held temporarily in money market funds or other short-term interest-bearing arrangements. If this is the case, such assets may also be subject to fees payable to the manager of these funds in addition to the fees charged by Sarofim International Management Company. Notwithstanding the above, we currently waive our fees on cash positions in our portfolios for all clients; however, this should not be interpreted as a permanent waiver, and we reserve the right to reinstitute the above-referenced cash position billing rate.

Our Billing Practices

For the purpose of computing fees, we may treat managed assets in related accounts as if all the assets were in one account. After the fee is computed in this way, it is divided among the accounts involved, usually in proportion to the market value of each account. This grouping of related accounts must be approved in advance by the firm, and approval is not assured.

We do not regard our fees as negotiable because we believe our fees are in the low end of the range of fees in the industry for comparable services. However, in a few instances, the firm has granted exceptions to the application of our regular fee schedules when we believe there are highly unusual factors involved that justify exceptional treatment. The firm attempts to insure that other clients having similar unusual factors are treated in a similar manner for fee purposes, but this cannot be assured. From time to time, the firm will seek to determine if such unusual factors continue to justify deviations from our regular fee schedule.

As mentioned earlier, the firm's fees are billed quarterly, in arrears. Our clients may direct their custodians to deduct Sarofim International Management Company's fees from the assets in their account. Alternatively, clients may choose not to have the fees deducted from their accounts and may arrange instead to pay the fees by check or wire transfer. The firm does not accept advance fee payments.

Third Party Fees You May Incur

Sarofim International Management Company does not provide custodial services, and we are not affiliated with a brokerage firm. The firm's brokerage practices are discussed in Item 12 on page 22 of this brochure. The advisory service fee you pay to us does not include other fees or charges you may incur in connection with your account at Sarofim International Management Company. The following is a list of the types of fees and charges that might be payable to third parties in connection with your account. This list is not meant to be exhaustive. There may be additional fees that are not included in this list.

Examples of Fees Paid to Third Parties

- Custodial fees
- Broker commissions
- SEC fees
- Wire transfer or other transaction fees
- Exchange fees
- Odd lot differentials
- Fees charged by mutual funds, including money market funds

Neither the firm nor any of our employees receives compensation for the sale of securities, mutual funds or other investment products.

Item 6 –Performance-Based Fees and Side-by-Side Management

Sarofim International Management Company does not have fee structures that include performance-based fee arrangements.

Generally speaking, side-by-side management is a reference to the simultaneous management of mutual funds and hedge funds. Sarofim International Management Company has not formed hedge funds and is not a manager to hedge funds.

Item 7 –Types of Clients

Sarofim International Management Company serves as an investment adviser for a broad range of clients primarily based outside the United States, including:

- Private employer pension and profit-sharing plans
- State and local government retirement systems
- Taft-Hartley union plans
- Employee savings and thrift plans
- Keogh plans
- Individuals—retirement accounts
- Individuals—taxable accounts
- Endowments, foundations, or other tax-exempt organizations
- Banks
- Trusts and estates
- Registered investment companies, i.e., mutual funds
- Insurance companies
- Insurance Company Separate Accounts
- Corporations and small businesses

We continue to seek new clients. Generally, the minimum dollar amount for new managed accounts is \$5 million. However, the minimum dollar amount for new managed accounts in our Global Equity Product is \$10 million. The firm may waive these size requirements if related accounts are currently under management.

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

Large Capitalization Equity Product

Sarofim International Management Company's primary investment product is our Large Capitalization Equity Product. This product seeks to generate total return through long-term capital appreciation and a growing stream of dividend income. Over periods of three to five years or longer, we strive to achieve a total return greater than the S&P 500 with less volatility than this index.

Our equity investment strategy is focused on domestically traded common stocks with large market capitalizations and high daily trading volumes. American Depositary Receipts, preferred stocks, and foreign stocks may also be included if permitted by client guidelines. Under most circumstances, our portfolios are fully invested with low cash balances. Our longer term investment perspective generally results in low portfolio turnover and is typically tax-efficient for taxable investors. Our strategy does not use derivatives, options, short-selling, leverage, or initial public offerings. We do not attempt to time the market.

Central to our strategy is the belief that earnings growth is the most important driver of long-term stock price appreciation. In our experience, companies with dominant franchises in structurally attractive industries are most likely to generate durable growth. Generally, we invest in the stocks of high quality industry leaders that have a market capitalization of \$5 billion or higher. These established companies have demonstrated sustained patterns of earnings and dividend increases. They have an expanding global presence and sustainable competitive advantages. Their balance sheets are strong, and their management teams have a record of successfully redeploying capital.

To shape our portfolios, Sarofim International Management Company employs a predominantly "bottom-up" investment process managed by the Investment Committee. Drawing on the fundamental research of our in-house analysts and select external resources, the Committee formulates a macroeconomic and capital market outlook and evaluates the attractiveness of the various economic sectors and industries. The most attractive segments are identified along with those areas that should be underweighted or avoided. This macro overlay provides a context for the analysts' research efforts and helps direct them to the industries and companies most aligned with the Committee's current outlook. The analysts present specific buy and sell recommendations to the Investment Committee, which makes the final decision. The Investment Committee is responsible for the firm's portfolio structure and all investment decisions.

Fayez Sarofim & Co.'s internal research function is crucial to this investment process. We perform independent, fundamental analysis on all of our investments and potential investments. Our research analysts visit companies, interview company managers, attend trade conferences, review corporate reports, filings and press releases, and stay abreast of financial and market news. We subscribe to numerous software and on-line products and selectively utilize numerous outside sources of information, such as government agencies, consultants, and Wall Street sources. The most important output of our internal research effort is proprietary projections of a

company's earnings, cash flow and dividends over a multiple-year period. These projections drive our valuation analysis.

We seek to control investment risk through disciplined adherence to our investment decision-making process. We continuously monitor the underlying operating and earnings trends of the companies represented in the portfolio and remain alert to changes in demand, competition, or technology that may influence these trends. Diversification also plays a role in our approach to controlling risk, and we monitor portfolios by industry exposure and individual stock concentration. We confine our equity holdings to securities with large market capitalizations and high daily trading volumes to help limit liquidity risk.

Although we strive to mitigate risks that may accompany an investment in our Large Capitalization Equity Product, clients who invest in this product can lose money, including losing a portion of their original investment. The prices of the securities in our portfolios fluctuate. We cannot guarantee any particular level of performance. Below is a list of the types of risks you should consider before investing in our product.

- *Market risk.* Stock prices may decline due to changes in general market conditions that are not specifically related to a particular company, such as changes in the economic outlook, inflation expectations, interest rates, currency rates, or investor sentiment. A company's stock price may also decline because of factors that affect a certain industry such as changes in raw material costs or enacted or proposed changes in the law.
- *Company-specific risk.* A company's stock price may decline for numerous reasons that relate directly to the company, such as a loss of competitive advantage, impairment of capital or earnings power, legal difficulties, or management changes.
- *Risks associated with foreign companies.* Special risks associated with investments in foreign companies may include greater exposure to fluctuations in currency exchange rates, less comprehensive company information, different financial reporting and legal standards, and political instability.
- *Allocation risk.* Certain companies, industries or market sectors may be significantly overweighted or underweighted in Sarofim International Management Company's portfolios relative to the broader market indices. Consequently, the performance of our portfolios may be more or less sensitive than the overall market to factors affecting those companies, industries or sectors.
- *Style risk.* Our investment strategy focuses on high quality stocks with large market capitalizations. As a result, our portfolios may underperform the broader market during intervals when such securities are out of favor with investors.

Global Equity Product

The objective of Sarofim International Management Company's Global Equity Product is to achieve long-term capital appreciation consistent with preservation of capital. Generating

current income is a secondary goal. Over periods of three to five years or longer, we strive to achieve a total return greater than the MSCI World Index on a risk-adjusted basis.

Our Global Equity investment strategy primarily utilizes common stock, ordinary shares, and American Depositary Receipts of high quality companies based either in the United States or in other countries. Companies represented in the portfolio typically have market capitalizations of at least \$5 billion. In selecting securities to be included in our Global Equity portfolios, we first identify the economic sectors and industries that we believe will expand on a worldwide basis over the next three to five years or longer. Using fundamental analysis, we then seek to identify companies in these business segments that have demonstrated superior profitability, financial flexibility, and capital stewardship and are positioned to maintain above-average earnings growth longer term. We are also alert to companies that we consider undervalued in terms of earnings, assets, or growth prospects. Most of the companies included in our portfolios are industry-leading multinationals with an expanding global presence.

Sarofim International Management Company generally employs a buy and hold investment strategy that results in low portfolio turnover. We will liquidate a holding when we believe there has been a significant adverse change in a company's business fundamentals that may lead to a sustained impairment of earnings power. In addition, we may reduce or eliminate a holding to provide funds to invest in another security that we believe will generate a superior return.

Sarofim International Management Company strives to control investment risk through disciplined adherence to our investment decision-making process, through continuous monitoring of the business fundamentals of the companies represented in the portfolio, and through diversification of investments by geography, industry, and individual stock concentration. Furthermore, we seek to limit liquidity risk by focusing on equity holdings with large market capitalizations and high daily trading volumes.

Although we strive to mitigate risks that may accompany an investment in our Global Equity Product, clients who invest in this product can lose money, including losing a portion of their original investment. The prices of the securities in our portfolios fluctuate. We cannot guarantee any particular level of performance. The types of risks you should consider before investing in this product are similar to those for our Large Capitalization Equity Product, which are enumerated on the preceding page. You should pay particular attention to the discussion of risks associated with foreign companies.

Core Fixed Income Product

Sarofim International Management Company's Core Fixed Income Product emphasizes risk-averse management, current income and low cash reserves. Portfolio holdings may include United States Treasury securities, United States government agency securities, mortgage pass-through securities of government-sponsored enterprises (GSE) such as Ginnie Mae, investment grade corporate bonds, high quality commercial paper, and shares of money market funds. Foreign government and foreign corporate bonds and sub-prime mortgages are not part of our strategy.

In our fixed income portfolios, we emphasize certain sectors and select specific securities that we believe offer the best combination of quality, liquidity, income, and value consistent with our overall duration target. The duration of a fixed income portfolio is a measure of risk that indicates the sensitivity of the portfolio's market value to changes in interest rates. We will make modest shifts in our duration target to reflect changes in the Investment Committee's projections for interest rates and inflation.

Fayez Sarofim & Co.'s Investment Committee determines the firm's overall outlook for the economy, interest rates, and inflation. Given this backdrop, the investment professionals on Fayez Sarofim & Co.'s Fixed Income Investment Committee establish the specific parameters for fixed income portfolios. The Fixed Income Investment Committee meets quarterly to set duration targets and sector emphasis and to review and approve the list of corporate bond issuers that may be utilized. The firm's research analysts conduct fundamental credit analysis. Our approach considers not only the current creditworthiness of an issuer but also the ability of the issuer to grow and finance its future business plans. Our research analysts monitor the credit quality of existing holdings and recommend high quality corporate issuers to the Fixed Income Investment Committee for possible inclusion on the list of approved issuers.

Within the framework set by the Fixed Income Investment Committee, fixed income portfolio managers structure portfolios to meet client requirements. Before transactions are executed, the portfolio managers utilize the CMS/Bond Edge portfolio management system to simulate the transaction and its effect on the portfolio. This process includes an analysis of the effect on the portfolio's duration, current yield, average maturity and other characteristics. The simulated portfolio can also be stress-tested under various interest rate assumptions.

While we emphasize risk-averse management and capital preservation in our Core Fixed Income Product, clients who invest in this product can lose money, including losing a portion of their original investment. The prices of the securities in our portfolios fluctuate. We cannot guarantee any particular level of performance. Below is a representative list of the types of risks you should consider before investing in this product.

- *Interest rate risk.* Prices of bonds tend to move in the opposite direction to interest rate changes. Typically, a rise in interest rates will negatively affect bond prices. The longer the duration and average maturity of a portfolio, the greater the likely reaction to interest rate moves.
- *Credit (or default) risk.* A bond's price will generally fall if the issuer fails to make a scheduled interest or principal payment, if the credit rating of the security is downgraded, or if the perceived creditworthiness of the issuer deteriorates.
- *Liquidity risk.* Sectors of the bond market can experience a sudden downturn in trading activity. When there is little or no trading activity in a security, it can be difficult to sell the security at or near its perceived value. In such a market, bond prices may fall.

- *Call risk.* Some bonds give the issuer the option to call or redeem the bond before the maturity date. If an issuer calls a bond when interest rates are declining, the proceeds may have to be reinvested at a lower yield. During periods of market illiquidity or rising rates, prices of callable securities may be subject to increased volatility.
- *Prepayment risk.* When interest rates fall, the principal of mortgage-backed securities may be prepaid. These prepayments can reduce the portfolio's yield because proceeds may have to be reinvested at a lower yield.
- *Extension risk.* When interest rates rise or there is a lack of refinancing opportunities, prepayments of mortgage-backed securities or callable bonds may be less than expected. This would lengthen the portfolio's duration and average maturity and increase its sensitivity to rising rates and its potential for price declines.

Item 9 –Disciplinary Information

In this section, advisory firms are asked to disclose all material facts concerning legal or disciplinary events that are material to a client's or a prospective client's evaluation of their advisory business or the integrity of their management.

Sarofim International Management Company and our management personnel are not involved in any legal or disciplinary events that are material to a client's or a prospective client's evaluation of our advisory business or the integrity of our management.

Item 10 –Other Financial Industry Activities and Affiliations

Sarofim International Management Company is affiliated with three other registered investment advisors: Fayez Sarofim & Co., Sarofim Trust Co., and Sarofim Realty Advisors. While the firm and certain of its “management persons” have a relationship with the above-listed “related person” investment advisors, Sarofim International Management Company does not believe that the relationship is material to the firm’s advisory business or to the firm’s clients or that the relationship may result in a material conflict of interest.

For purposes of this response, the firm’s investment and administrative professionals are considered “management persons” since they are considered to have a controlling influence over the firm’s management or policies or the general investment advice given to the firm’s clients. A “related person” for purposes of this response includes all employees of the firm and its affiliates other than those performing only clerical, administrative support or similar functions.

The firm seeks to avoid and mitigate all conflicts of interest and has adopted policies and procedures to be followed in determining and eliminating conflicts of interest. For example, please see the discussion in the response to Item 11 Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading on page 19.

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

As required by SEC rules and in line with what we believe are good business practices, Sarofim International Management Company has adopted Codes of Ethics for employees and some third-party providers and a Code of Business Conduct for employees. These codes are designed to reinforce a culture of compliance within the firm and to ensure that we fulfill our fiduciary duty to our clients and prospective clients. To help our employees understand, appreciate and uphold their fiduciary responsibilities, their Code of Ethics sets standards of expected conduct and outlines prohibited conduct. The code requires that each employee must:

- Place the interest of clients first above all other interests
- Conduct all personal securities transactions in a manner consistent with this code, avoid any actual or potential conflicts of interest, and not abuse his or her position of trust and responsibility
- Recognize that he or she should not take inappropriate advantage of his or her position as an employee
- Treat as confidential the identity of clients and their financial circumstances and security holdings
- Understand that independence and impartiality in the investment decision-making process are critical

Employees are required to read the Code of Ethics and Code of Business Conduct, acknowledge in writing that they have received and understood them, and retain copies. Annual compliance training sessions, which are mandatory for all employees, review key precepts of the Code of Ethics and the Code of Business Conduct. To help us enforce the Code of Ethics, we regulate and monitor employee trading activity and require certain disclosures from employees.

Within ten days of starting employment with the firm, an individual must submit an initial holdings report to the firm's Chief Compliance Officer, detailing security holdings and the accounts in which they are held. An updated holdings report must be submitted semiannually by all employees. Employees must also have trade confirmations and monthly or quarterly statements sent to the firm. In addition, certain key employees are required to complete quarterly transactions reports. The firm's Chief Compliance Officer or her designee reviews these reports periodically for accuracy and unusual trading activity.

No employee may engage in any personal securities transactions without obtaining prior written approval from the Chief Compliance Officer. The firm maintains a restricted list that includes securities that are being traded in client accounts and securities that are being considered for purchase in client accounts. Employee trades in securities on the restricted list will not be approved. Furthermore, employees are prohibited from engaging in securities transactions or recommending transactions for client accounts that place, or appear to place, their own interests above the interests of our clients or the firm.

As an investment adviser, we follow our own advice and invest in our strategy. A significant portion of the firm's and our investment professionals' net worth is invested in equity portfolios that are constructed and managed like those of most of our clients. Consequently, from time to time, the firm may effect transactions on behalf of clients in discretionary accounts or recommend transactions to clients with non-discretionary accounts that involve securities held in the firm's account or in the accounts of employees. When this is the case, employee trading in the particular security must be conducted in accordance with the principles and procedures outlined in their Code of Ethics.

Sarofim International Management Company and our registered investment adviser affiliates have adopted and follow Compliance Policies and Procedures that include policies and procedures that prohibit trading while having material information that is not available to the public and during "blackout periods." An individual employed by or associated with Sarofim International Management Company may be an officer or director of a publicly traded company or a party to contractual arrangements with a publicly traded company. If so, such an individual may be prohibited by the policies of the public company from trading in the securities of that company during blackout periods imposed or recommended by the company. It is also the policy of Sarofim International Management Company and our registered adviser affiliates that these individuals may not trade in securities of the public company during a blackout period. These policies also require that all directors, officers and other employees of Sarofim International Management Company and our affiliates are subject to the same restrictions.

Although trading in securities of the designated public company during a blackout period is prohibited in the personal accounts of employees and in the firm's account, Sarofim International Management Company and our affiliates may trade in securities of the public company on behalf of our discretionary investment advisory clients provided:

- The individual who is the officer, director, or affiliate of the public company does not exercise any investment discretion over the trading of these securities for client accounts during the blackout period
- This individual has not, does not and will not disclose material information that is not available to the public

In an effort to streamline compliance reporting requirements for employee security purchases and sales, Sarofim International Management Company is utilizing ACA Compliance Science (ACA). ACA offers Sarofim International Management Company online access to a system, the Personal Trading Control Center (PTCC), which assists the firm in the approval of employee personal trades, semi-annual reporting of securities held and quarterly transactions reporting.

In addition, our Compliance Policies and Procedures require us to make certain disclosures if any of our employees have these types of relationships with a public company.

Other topics discussed in the employee Code of Ethics, Compliance Policies and Procedures, and/or the Code of Business Conduct include:

- Prohibition against insider trading
- Restricting access to material non-public information
- Approval for outside business affiliations
- Contributions to charities and government entities
- Contributions to candidates for political office
- Communications with clients
- Expense reports
- Entertainment, gifts and gratuities

Clients or prospective clients may receive a copy of the firm's Codes of Ethics or the Code of Business Conduct by sending a written request to:

Mrs. Raye G. White
Executive Vice President
and Chief Compliance Officer
Sarofim International Management Company
Two Houston Center
Suite 2907
Houston, Texas 77010
rgwhite@sarofim.com

Item 12 –Brokerage Practices

Sarofim International Management Company is not affiliated with a brokerage firm. The firm's brokerage practices related to transactions in clients' accounts may differ among clients depending on the degree of discretionary authority the client has given us. We prefer to have full discretionary authority to manage the investment of a client's assets. Full discretionary authority includes brokerage discretion, which gives the firm the ability to select the broker to execute transactions in a client's account and to negotiate the commission rate. In some instances, the firm's brokerage discretion is limited by directions from the client or by third-party agreements the client has entered into.

The firm also offers non-discretionary arrangements with clients. In certain non-discretionary arrangements, once the client has approved a particular transaction, the firm is authorized to place the order and select the broker to execute it. In other non-discretionary arrangements, the client places the order and selects the broker to execute the transaction. Please see also Item 16 Investment Discretion on page 31.

Sarofim International Management Company's general policy when placing orders for the purchase or sale of securities in a client's account is to seek to secure the best net execution, including both execution prices and commission rates. In selecting brokers or dealers to execute transactions, we consider such factors as:

- the price of the security
- the commission rate
- the size and difficulty of the order
- the reliability, integrity, financial condition and general execution and operational capabilities of competing brokers and dealers
- the research services that competing brokers provide

Orders are placed with brokers that we believe are responsible and will give effective execution of orders under conditions favorable to our clients. On an overall basis, we believe we obtain favorable executions and competitive commission rates for client transactions. However, it is possible that a more favorable execution or a lower commission rate may have been obtained if the order had been placed with another broker.

In selecting brokers, we may give preference to brokers that provide research and other services to us so long as we believe that the objective of best net execution is not being sacrificed. A discussion of what is meant by research and other services and our policy governing procedures for giving preference to the brokers who provide them is included on the next page in the section Research and Other Soft Dollar Benefits.

The firm will not choose a broker to execute a transaction solely on the basis that the broker has referred clients or prospective clients to us. Please refer to the discussion on Brokerage for Client Referrals on page 25.

When orders from our portfolio managers are received concurrently for more than one client account, the firm may seek to aggregate or batch the orders in an effort to obtain reduced commission rates or more favorable execution. A broker may be selected to execute an aggregated order because of the broker's ability to handle such executions, provided that the primary consideration of best net execution is met. Generally, when trades are aggregated, each client account within the block will receive the same price and commission.

From time to time, the firm will evaluate the performance of the brokers that have been selected to execute orders for our clients' accounts. If we believe a broker's performance has been unsatisfactory, we will cease doing business with this broker entirely or until improvement has been demonstrated.

The firm's executive officers are available to discuss brokerage allocation with clients or prospective clients upon request.

Research and Other Soft Dollar Benefits

Brokers and dealers may provide research or other services in addition to the services required to execute an order. When a portion of the commission paid to a broker for the execution of an order is considered to be a payment for these additional services, this portion of the commission is often referred to as "soft dollars." The additional research and other services received are sometimes referred to as "soft dollar benefits."

Sarofim International Management Company uses the soft dollar benefits received from brokers to supplement our own internal research activities and to consider a broader range of information and opinions in formulating our investment decisions. The soft dollar benefits will be used in servicing all of our client accounts as well as the firm's proprietary accounts, not just those accounts that paid commissions to the brokers providing the soft dollar benefits. A client account may pay a higher commission because of the soft dollar safe harbor benefits provided by a broker, but this will only occur if we have determined in good faith that this commission is reasonable in relation to the value of the soft dollar safe harbor benefits provided by the broker. However, the value we receive from these soft dollar benefits is difficult to quantify in a dollar amount.

Sarofim International Management Company has adopted a soft dollar policy to address the conflicts of interest that may arise when the firm has discretionary authority to direct brokerage related to clients' accounts to brokers from which we also receive soft dollar benefits. Under the our soft dollar policy, Sarofim International Management Company will only use soft dollars to obtain products and services that fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as interpreted by the Securities and Exchange Commission.

The following products and services fall within the definition of “research services” within the soft dollar safe harbor:

- Research reports;
- Discussions with research analysts and meetings with corporate executives;
- Fees to attend conferences or seminars that provide substantive content regarding issuers, industries, and/or securities;
- Research related to the market for securities, such as trade analytics (including analytics available through order management systems), and advice on market color and execution strategies;
- Market, financial, economic, and similar data;
- Pre-trade and post-trade analytics used during the investment decision-making process; and
- Proxy services that the adviser uses during the investment decision-making process, as opposed to services used to satisfy the adviser’s own voting, recordkeeping, or disclosure obligations.

These safe harbor services do not include the referral of clients to Sarofim International Management Company.

The Section 28(e) safe harbor applies to research products and services that are “provided” by a broker-dealer. In addition to proprietary research produced directly by a broker-dealer, the safe harbor also applies to third-party research. Sarofim International Management Company may be involved in deciding what third-party research will be provided, and the third-party may send the research directly to us, but the broker-dealer must either (a) have a legal obligation to pay for the research, or (b) pay for the research directly, review the description of the research for red flags that would indicate that it was outside of the safe harbor, and develop and maintain procedures so that research payments are documented and paid for promptly.

From time to time Sarofim International Management Company may enter into commission sharing agreements with certain brokers that allow us to use client commissions to pay for research produced by someone other than the executing (or introducing or clearing) broker-dealer. It is our belief that such arrangements may offer efficient execution venues that provide high quality, low-cost execution while research providers compensated out of the shared commissions offer valuable research ideas that benefit our clients. Each commission sharing arrangement is evidenced by written agreement. We evaluate such arrangements on a case-by-case basis and negotiate each commission sharing agreement accordingly.

In the event that a product or service has multiple uses, some of which are eligible under the soft dollar safe harbor, and others of which are not, Sarofim International Management Company may only use soft dollars to pay for that portion of a product or service that falls within the safe harbor. We must use hard dollars to pay for the portion of the product or service’s costs that are outside of the safe harbor. In such a case, Sarofim International Management Company will make a reasonable allocation of the cost of the product or service according to its use. We will maintain adequate books and records so as to be able to demonstrate that the allocation was made in good faith. We are subject to a conflict of interest when making any such allocation determination.

Soft dollar credits are assets of Sarofim International Management Company's clients that must be treated with appropriate care. We review at least monthly soft dollar accrual and expenditure reports sent by broker-dealers and reconcile such reports against its internal records. Any discrepancies should be promptly reported to the CCO.

Sarofim International Management Company will periodically review soft dollar credit and debit balances, and if we develop large credit balances, we will consider whether clients are paying unnecessarily high commissions. Conversely, if we develop large deficits, we will evaluate whether we should curtail our soft dollar spending or take other actions in order to avoid the appearance that we must trade accounts excessively in order to reduce our soft dollar deficits.

Over the past year, the soft dollar benefits we have received have been limited to the research and other services that fall within the soft dollar safe harbor provisions of Section 28(e) of the Securities Exchange Act of 1934.

Brokerage for Client Referrals

Sarofim International Management Company has a policy that precludes the firm from selecting a broker to execute transactions solely on the basis that this broker has referred clients or prospective clients to us. This practice is prohibited because of the conflicts of interest that could result. In exercising our brokerage discretion, we may select brokers that have referred clients or prospective clients to us to execute portfolio transactions, but this selection cannot be based solely on referrals and must be made in accordance with the general policies and procedures discussed throughout Item 12.

Client-Directed Brokerage

A client of Sarofim International Management Company may direct the firm to give preference to certain brokers or dealers in allocating brokerage transactions for the client's account. The firm will comply so long as we, in good faith, believe that the objective of best net execution is not being sacrificed or that the amount of commission being paid to such broker or dealer is reasonable in relation to the value of the services provided.

In some instances, the firm is directed to use a specific broker for executing transactions either as a result of instructions from a client or as a result of arrangements entered into by the client. In these instances, the designated broker may charge higher commission rates than those generally available to us. We will follow the client's direction and seek to obtain the lowest commission rate and best net execution available from this broker as long as the client understands that this arrangement limits our ability to negotiate commissions on the client's behalf and to aggregate or batch the client's order with the orders of other clients to attain reduced commission rates or better executions. The client in these instances must understand that if the firm were free to select a broker, negotiate for institutional brokerage rates, and to batch orders, the client might pay rates below customary retail brokerage rates and might achieve better executions.

When a broker has custody of a client's securities, the client may direct us to use this custodial broker for executing trades in the client's account. Often, a client and the custodial broker enter

into a brokerage arrangement to contain the total costs related to a client's account by avoiding the higher fees for trust, custody, or other services that may be charged by another custodian, such as a bank or trust company. In these instances, the firm will seek to obtain the lowest commission rate and best net execution available from the custodial broker. Despite the firm's efforts, however, the commission rate charged by the custodial broker may be higher or the executions less favorable than the firm could have achieved for the client if we had been granted brokerage discretion. From time to time, the firm will evaluate the performance of the custodial broker in executing portfolio transactions. If the firm believes the custodial broker's executions are sufficiently unfavorable or the commissions charged sufficiently excessive considering the brokerage and custody services being provided by the custodial broker, we will advise the client of our assessment. We may also recommend that the client change the custodial broker. (See also Item 15 Custody on page 30.)

For accounts subject to directed brokerage arrangements, Sarofim International Management Company will not aggregate trades or seek better execution services or prices from other broker-dealers unless the client has allowed Sarofim International Management Company some discretion with respect to brokerage. Sarofim International Management Company will place trades on behalf of accounts subject to directed brokerage arrangements after trading on behalf of other client accounts. Consequently, the firm may not obtain best execution on behalf of clients that direct brokerage; such clients may pay materially disparate commissions, greater spreads, or other transaction costs, or receive less favorable net prices on transactions than would otherwise be the case. In order to meet directed brokerage mandates and trade in an efficient manner, Sarofim International Management Company may ask clients that direct brokerage to permit the use of "step-out" trades. Traders will document any step-out trades on the relevant trade ticket and in our electronic trading system.

Item 13 –Review of Accounts

Sarofim International Management Company accounts are managed within the guidelines set by Fayez Sarofim & Co.'s Investment Committee. Teams of two to four investment professionals, which are selected by the Investment Committee, share the client servicing and portfolio management responsibilities for each account. We manage accounts on an individual basis, taking into consideration a client's known financial resources, investment objectives, and needs. Each account is reviewed at least quarterly by one of the investment professionals assigned to the portfolio management team for the account. This review is conducted in conjunction with the quarterly reporting process discussed below. Several factors may prompt a more frequent review, including significant cash flows, unusual liquidity requirements, or changes in a client's situation, investment objectives, or guidelines. Accounts may also be reviewed more frequently if there is a dramatic change in market conditions or a significant shift in the firm's economic and market outlook. Matters reviewed include portfolio holdings, asset mix, cash flow and liquidity requirements, account-specific instructions or guidelines, and other pertinent factors.

Portfolio reports are prepared by a portfolio analyst, reviewed by an investment professional, and distributed to clients on a quarterly basis. In some instances, the report may be prepared monthly. These written reports typically include:

- summary of investment performance, including current and longer term results
- S&P sector classifications of portfolio holdings
- portfolio appraisal by individual security, including purchase cost, current market value, percent of portfolio, unrealized gains and losses, estimated current income and current yield
- corporate capital changes and dividend changes
- commission report
- purchases and sales during the period
- income and expense report
- realized gains and losses

This written portfolio report also strongly recommends that clients compare our portfolio appraisal with the statements received from their custodians and to notify us immediately of any discrepancies. This recommendation is made in accordance with our obligation to protect client interests and is consistent with the SEC rules for investment advisers.

Periodically, clients receive our commentary on the economy and the market outlook. One or more of the investment professionals assigned to an account will confer with the client from time to time. Clients may also request a conference to review their account. Client communication is an important part of our investment advisory services, and we encourage clients to contact us if they have questions.

Item 14 –Client Referrals and Other Compensation

Both Sarofim International Management Company and our parent company, Fayez Sarofim & Co., have entered into written solicitation agreements.

Sarofim International Management Company has entered into such an agreement with Papamarkou Wellner Asset Management Inc. (PWAM). PWAM has agreed to solicit investment advisory clients for the firm on a non-exclusive basis. For accounts referred under the agreement, the firm has agreed to pay PWAM a referral fee, which is computed quarterly at 40 percent of the aggregate quarterly investment advisory fees the firm receives from clients referred by PWAM. The referral fee is due promptly after the firm collects the advisory fees. No accounts are to be solicited in states in which such solicitations are not in compliance with state laws.

Sarofim International Management Company has also entered into a written solicitation agreement with Eaton Financial Consultants S.A. (EFC), a British Virgin Islands international business company. EFC has agreed to solicit investment advisory clients for the firm on a non-exclusive basis. The firm has agreed to pay EFC a referral fee for solicited accounts that pay an investment advisory fee during the term of the agreement and during the eleven calendar months after the termination of the agreement. The fee is to be computed and paid quarterly at 40 percent of the aggregate quarterly investment advisory fees the firm receives from clients referred by EFC. No accounts are to be solicited in states in which such solicitations are not in compliance with state laws.

Fayez Sarofim & Co. has also entered into several written solicitation agreements. The firm has one such agreement with MBSC Securities Corporation (MBSC), formerly named Dreyfus Service Corporation. MBSC has agreed to solicit investment advisory clients for the firm on a non-exclusive basis. The firm, in turn, has agreed to pay MBSC a referral fee, which is based on the investment advisory fees the firm receives from a client referred by MBSC. The referral fee is computed quarterly and due within 30 days after the end of a quarter. For accounts managed less than 12 months, the referral fee is 50 percent of the investment advisory fee. For all other accounts, the fee is 20 percent. No accounts are to be solicited in states in which such solicitations are not in compliance with state laws.

Fayez Sarofim & Co. also has three written solicitation agreements with Papamarkou Wellner Asset Management Inc. (PWAM). One agreement is for institutional accounts, one for non-institutional accounts, and the third agreement, which is inactive, is for incentive-fee government margin accounts. PWAM has agreed to solicit investment advisory clients for the firm on a non-exclusive basis. For accounts referred under the institutional and non-institutional account agreements, the firm has agreed to pay PWAM a referral fee, which is computed quarterly at 40 percent of the aggregate quarterly investment advisory fees the firm receives from clients referred by PWAM. The referral fee is due promptly after the firm collects the advisory fees. No accounts are to be solicited in states in which such solicitations are not in compliance with state laws.

Fayez Sarofim & Co. also entered into a written solicitation agreement with R. E. Kassar Corp. (REKC), a corporation controlled by Raymond E. Kassar. This agreement was terminated effective August 13, 1995, but the firm remains obligated to pay referral fees to REKC for as long as those clients who it referred to the firm continue to pay investment advisory fees. No accounts were to be solicited in states in which such solicitations were not in compliance with state laws. The agreement provided for REKC to receive a retainer fee and a referral fee. The referrals fees are computed quarterly at 35 percent of the aggregate quarterly investment advisory fees the firm receives from clients referred by REKC. Referral fees are paid quarterly promptly after the firm collects the advisory fees. For clients of foreign domicile, a special fee schedule for foreign and foreign-related accounts is used.

From time to time, brokers, dealers, or other persons may refer clients or prospective clients to Fayez Sarofim & Co., Sarofim International Management Company, or the other affiliates on an informal basis. The firms do not pay fees for these informal referrals. Furthermore, the firms will not select brokers or dealers to execute portfolio transactions solely on the basis that they have referred clients or prospective clients to the firm. Please refer to Item 12 Brokerage Practices—Brokerage for Client Referrals on page 22.

Item 15 –Custody

“Custody” means holding, directly or indirectly, client funds or securities or having authority to obtain possession of them. Sarofim International Management Company does not hold client assets or provide custodial services. Assets of clients of our firm are held by a “qualified custodian” as defined by the SEC, usually a bank or brokerage firm. If the firm inadvertently receives client funds, we are required to return them to the sender within three business days.

Before entering into an investment advisory agreement with Sarofim International Management Company, you must first establish an account with a qualified custodian. If you need assistance in selecting a custodian, the firm will make suggestions, taking into consideration the cost, the perceived quality of the custodial services, and the types of securities involved as well as other factors we think may be relevant.

As a client, you should compare the quarterly portfolio report you receive from us with the account statements you receive from your qualified custodian. We urge you to notify us immediately if you find discrepancies. For tax purposes, the account statement you receive from your custodian is the official record of your transactions and assets.

Item 16 –Investment Discretion

Sarofim International Management Company will manage clients' assets on a fully discretionary basis, a limited discretionary basis or a non-discretionary basis. Most of our clients have granted us full discretionary authority to manage the investment of the assets in their accounts, and we prefer to manage accounts on this basis.

Before the firm may assume discretionary authority, the firm and the client must execute an investment advisory agreement and a limited power of attorney. The investment advisory agreement includes:

- A statement of the firm's appointment as investment manager.
- A discussion of the duties and powers of the firm as investment manager, including discretionary authority
- A description of the duties of the client, including advising the firm of investment objectives and any specific restrictions
- Other pertinent information on matters such as compensation and termination

With full discretionary authority for an account and a signed power of attorney, the firm is able to do the following without obtaining the client's consent:

- Determine which securities to buy or sell
- Determine the total amount of securities to buy or sell, subject to available funds
- Determine the broker or dealer through which securities are bought or sold
- Negotiate with the selected broker regarding commission rates for securities transactions

Unless the client notifies the firm in writing of specific restrictions, the investments made on behalf of the client are considered not to be restricted. The firm manages a number of accounts subject to client instructions that prohibit holding certain securities or types of securities or that limit weightings in individual sectors, industries, or securities.

In certain instances, the firm's discretion to determine the broker through which client securities are bought or sold is limited due to arrangements entered into by the client or directions from the client. For example, a particular broker may have custody of a client's securities, and the client may direct the firm to use this custodial broker to purchase or sell securities in the client's account. In other instances, the client may direct the firm to give preference to one or more brokers in allocating brokerage transactions for the account. For a discussion of the firm's policies and procedures in these instances, please refer to Item 12 Brokerage Practices on page 22.

When we provide services on a non-discretionary basis, we give the client investment advice, but we do not have the authority to implement our recommendations in the client's portfolio without the client's approval. The client may or may not follow the firm's advice. In certain non-discretionary arrangements, once the client has approved a particular transaction, the firm is authorized to place the order and select the broker to execute it. In other non-discretionary arrangements, the client places the order and selects the broker to execute the transaction.

Item 17 –Voting Client Securities

Proxy Voting Policy

A client may give Sarofim International Management Company the authority to vote the proxies requested by the issuers of securities in the client's account. To guide us as we exercise this authority and to comply with SEC rules, the firm has adopted a Proxy Voting Policy and Procedures. We evaluate each proxy on a case-by-case basis and vote on each proxy proposal according to our judgment of the client's longer term best interests. In deciding how to vote on a particular proxy proposal, we rely, for the most part, on the business judgment of the issuer's management and directors and their understanding of their fiduciary responsibilities to shareholders. If we decide the recommendation of the issuing company's management is not in the best interests of shareholders, we will not follow management's recommendation.

To avoid conflicts of interest, no employee of Sarofim International Management Company may participate in the voting process for a particular proxy if the employee meets any one of the following criteria:

- is an officer or director of the company issuing the proxy
- beneficially owns 5 percent or more of the outstanding shares of any class of security of the company issuing the proxy
- otherwise is interested in any way in the outcome of the vote, with the exception of being a beneficial owner of less than 5 percent of the outstanding shares of any class of securities of the company issuing the proxy

Sarofim International Management Company, or a third party acting on the firm's behalf, retains:

- copies of all proxy statements received regarding client securities
- records of votes cast on behalf of clients
- records of client requests for proxy voting information
- documents used or prepared by the firm that were material to deciding how to vote on a particular issue
- copies of the Proxy Voting Policy and Procedures adopted by the firm

Clients may obtain a copy of our Proxy Voting Policy and Procedures by writing to:

Mrs. Raye G. White
Executive Vice President
and Chief Compliance Officer
Sarofim International Management Company
Two Houston Center
Suite 2907
Houston, Texas 77010
rgwhite@sarofim.com

Clients who have given us authority to vote proxies on their behalf may obtain an annual, semiannual or quarterly record of these votes by submitting a written request to Mrs. White at the address above. Clients who have given us authority to vote proxies but wish to direct a particular vote may do so by submitting their instructions in writing to Mrs. White.

Clients may choose to retain the authority to vote the proxies related to securities in their accounts. In such instances, clients would receive the proxy statements from their custodians. Clients may contact Mrs. White at the address on the preceding page if they have questions about a particular solicitation.

Proxy Voting Procedures

Fayez Sarofim & Co., the parent company of Sarofim International Management Company, has retained Institutional Shareholder Services (ISS) to act as independent voting agent for the firm's domestic and global proxies. This relationship dates back to October 2001. Based on Sarofim International Management Company's voting instructions, ISS will vote the proxies for all shares for which we have a fiduciary obligation to vote. ISS also resolves problems with missing proxies, reconciles any share discrepancies, documents proxy votes, and performs various other proxy services on our behalf.

The following description outlines the process by which Sarofim International Management Company determines how to vote on a specific proxy issue. First, ISS analyzes the proxy proposal in accordance with a set of policy guidelines established by the firm's Proxy Committee and makes a vote recommendation to the firm. This recommendation, which becomes the default position for the vote, is then sent to the analyst at our firm who is responsible for the research coverage of that security.

If our analyst agrees with the vote recommendation submitted by ISS, he or she will instruct ISS to cast the vote according to that recommendation. If the analyst at our firm does not agree with the default recommendation provided by ISS, the analyst must provide a written explanation of the reasons for the different opinion. This written explanation is reviewed by the chairman of the firm's Proxy Committee. If the chairman agrees with the analyst's recommendation, that recommendation becomes final and binding, and ISS is instructed to vote according to the analyst's recommendation. In the rare instance that the chairman and the analyst cannot reach an agreement, the matter is considered by all the investment professionals on the Proxy Committee. The decision of the group is final and binding. No employee of the firm may participate in the voting process for a particular proxy, if any one of the three disqualifying factors enumerated in the Proxy Voting Policy section above applies.

Sarofim International Management Company and ISS, acting on our behalf, maintain as permanent records the original proxy bulletin, the voting instructions, and the reasons for such votes.

Item 18 –Financial Information

The disclosures required by Item 18 do not apply to Sarofim International Management Company. The firm is in sound financial condition, and we are confident that we can meet future contractual commitments to our clients. The firm does not require, solicit or permit prepayment of fees. Neither Sarofim International Management Company nor any of our affiliates has ever filed a bankruptcy petition.

Item 19 –Requirements for State-Registered Advisers

Sarofim International Management Company is not a state-registered adviser.