



**Form ADV Part 2A**

**Tradewinds Global Investors, LLC**

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**March 31, 2015**

**This Brochure provides information about the qualifications and business practices of Tradewinds Global Investors, LLC (Tradewinds). If you have any questions about the contents of this Brochure, please contact us at (310) 552-8900. 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. Tradewinds is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.**

**Additional information about Tradewinds Global Investors, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

### **MATERIAL CHANGES**

This Brochure was previously supplemented on April 16, 2014 and amended on October 1, 2014, primarily in Items 4 and 10, to reflect the acquisition of Nuveen Investments, Inc., parent company to Tradewinds Global Investors, LLC, by TIAA-CREF.

Other than with respect to the foregoing matters, there were no material changes to this Brochure dated March 31, 2015, from the last annual update dated March 28, 2014. There were changes and elaborations, including to strategies and risk factors, and to related persons, and enhancements and clarifications throughout.

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## **ITEM 4: ADVISORY BUSINESS**

### **Principal Owners**

Tradewinds Global Investors, LLC (“Tradewinds”) commenced operations on March 1, 2006, as an investment advisory firm specializing in global equity investing. The firm was created through a reorganization of its affiliate, NWQ Investment Management Company, LLC (“NWQ”), which has been providing investment management services since it was founded in 1982. The global equity investment professionals at NWQ transitioned as a group to Tradewinds, and the new firm immediately went to work to further build out the global research platform that has since become its trademark.

Non-investment support functions (*e.g.* Operations, Account Administration, Information Technology, Legal and Compliance, Human Resources, Finance and some aspects of Marketing/Client service) are provided on a shared services platform under Nuveen Investments, Inc. (“Nuveen”), Tradewinds’ indirect parent. Tradewinds has dedicated employees to handle institutional sales and client service, though the firm is additionally supported by the shared services platform in this area. Tradewinds is principally owned by Nuveen Tradewinds Holdings, LLC, a direct subsidiary of Nuveen. Although a subsidiary of Nuveen, Tradewinds maintains autonomy with regard to personnel, investment philosophy and process, style, and client relationships. Programs allowing key employees of Tradewinds to participate in its growth over time have been in place since the formation of Tradewinds. Nuveen was founded in 1898 and is an indirect subsidiary of TIAA-CREF, a leading financial services provider. For additional information on Tradewinds’ ownership structure, please refer to Item 10.

### **Types of Advisory Services**

Tradewinds offers investment advisory services primarily focusing on global, international, and domestic value-oriented equity investment strategies. In accordance with the lift-out of an investment team that joined Tradewinds effective March 31, 2015, Tradewinds also offers a suite of investment strategies that employ a separate and distinct investment process to that of the rest of the firm’s strategies, which includes a quantitative screening element. For purposes of distinguishing between these two distinct processes and strategy offerings, this separate process and division of the investment team is referred to herein as “Tradewinds-Sector.” For additional information regarding Tradewinds’ investment strategies, please refer to Item 8.

Tradewinds provides investment advisory services to a wide variety of clients, including corporate and multi-employer plans, charitable organizations, educational institutions, individuals, including high net worth individuals, trust accounts, estates, corporations and/or other business entities, banks and thrift institutions, insurance companies, governments and municipalities.

In addition, Tradewinds provides investment sub-advisory services to affiliated and unaffiliated open-end and closed-end investment companies registered under the Investment Company Act of 1940, as amended (the “Company Act”), collective

investment trusts (“CITs”), as well as other non-U.S. pooled investment vehicles, including UCITS funds (each, a “Fund” and collectively, the “Funds”). Tradewinds also provides portfolio recommendations to sponsors of unit investment trusts (“UITs”), which are sold by the sponsor through broker-dealers and other firms.

Tradewinds also provides investment advisory services to private investment funds which are generally organized as Delaware statutory trusts (the “Private Funds”).

Further, Tradewinds provides investment advisory services to institutional and individual clients through wrap fee and dual contract managed account programs (the “Managed Accounts” or “Managed Account Programs”) sponsored by broker-dealers and/or other financial intermediaries (the “Program Sponsors”). Although most services are provided on a discretionary basis, Tradewinds also provides certain services on a non-discretionary and model portfolio basis.

For additional information regarding Tradewinds’ clients, please refer to Item 7.

### **Investment Restrictions**

Tradewinds tailors its investment advisory services to the individual needs of its clients subject to directions, guidelines and limitations imposed by the client or, in the case of a Managed Account, the Program Sponsor. Upon acceptance of an account and throughout the relationship, Tradewinds receives and reasonably relies on information or directions communicated by the client, Program Sponsor, adviser, broker, consultant, agent, representative or any other party acting with apparent authority on behalf of the client.

Upon engaging Tradewinds as investment adviser, a client selects an investment strategy that may be changed upon reasonable request to Tradewinds. The client may request reasonable restrictions on the management of its account, and after review and agreement, Tradewinds will manage the account in accordance with the agreed upon guidelines. Although Tradewinds seeks to provide individualized investment advice to its discretionary client accounts, Tradewinds will not be able to accommodate investment restrictions that are unduly burdensome or materially incompatible with Tradewinds’ investment philosophy, and Tradewinds may decline to accept or terminate client accounts with such restrictions.

As part of the process required to effectively monitor investment restrictions, Tradewinds defines certain terms and classifications. As such, and unless specifically defined by a client, Tradewinds defines marketable securities as any security that can be traded on a recognized securities exchange or in the over the counter market (OTC). In contrast, non-marketable securities are those securities which are not traded on a recognized securities exchange or OTC. With respect to managing investment restrictions that relate to a security’s country, Tradewinds generally uses country classifications assigned from MSCI’s global investable market indices methodology. If unavailable, Tradewinds will assign a country classification based upon its internal policies and procedures which are generally based on MSCI’s methodology.

Tradewinds is committed to a fully invested approach and under most circumstances cash and/or cash equivalents are not expected to exceed 10% of a client's portfolio for an extended period of time. However, if Tradewinds' investment team determines there are an insufficient number of securities that meet Tradewinds' investment criteria, or during periods of orderly investment of client funds, including but not limited to the initial start-up of the relationship, a client portfolio may hold outsized levels of cash reserves temporarily, or for an extended period of time for defensive purposes.

Similarly, in periods of market volatility, Tradewinds may be unable to invest new money contributed to an account, or proceeds from the sale of securities, as quickly as it might have been able to do under normal market conditions. Likewise, Tradewinds may be unable to sell securities to raise cash, or accommodate a terminating client's request to sell securities, as quickly as it might have been able to do under normal market conditions, or at favorable prices. Depending on market movements, such delays could have an adverse impact on client accounts. In such periods of market volatility, Tradewinds may also, when deemed advisable, deviate from its normal trading practices with respect to sequencing and allocation of transactions. Market volatility and/or the lack of attractive investment opportunities may also cause Tradewinds to deviate from applicable account guidelines. In such circumstances, it may be an extended period of time before the account is restored to compliance with applicable guidelines. Tradewinds will use reasonable efforts to restore the account to compliance with applicable guidelines in a prudent manner under the circumstances.

Except as otherwise agreed upon by Tradewinds and the client, Tradewinds does not have any responsibility for the selection of the short term investment vehicle utilized by the client. Clients, their consultants, their financial advisers or their custodians select the interest bearing accounts and/or short-term investment or money-market funds in which cash reserves are invested. Tradewinds also is not responsible for the selection of a client's custodian.

Securities may be sold without regard to the length of time they have been held and clients are responsible for any tax consequences of such transactions. Tradewinds may follow the directions of a client or Program Sponsor regarding tax loss harvesting, subject to amount, timing limitations, or other factors. In providing such directions, the client or Program Sponsor is responsible for understanding the potential benefits and consequences of the directions in light of the client's particular tax situation. Daily market risk fluctuations may affect the dollar amount of the gain or loss. The monetary benefit created by tax loss selling may not exceed the risk of not being fully invested during that time. Executing tax sales (and repurchases) may adversely impact performance. Proceeds from tax sales that have resulted in losses are generally reinvested in Exchange Traded Funds ("ETFs") or other pooled investment vehicles during the wash sale period. Tradewinds is not a tax advisor and does not provide advice as to the tax consequences of any transactions. Accordingly, clients should consult with their own tax advisor to review their particular tax circumstances.

Some clients may not be able to hold all types of securities or participate in certain corporate actions relating to portfolio holdings due to limitations or operational

impediments associated with a client's custodian. Accordingly, Tradewinds may not purchase certain securities or participate in certain corporate actions for accounts where it believes it is not in the client's best interest because of such impediments may have an adverse effect on Tradewinds' ability to manage the client's account. For example, some accounts may not be able to hold non-U.S. securities in ordinary form because of custodial limitations. Tradewinds may purchase ordinary shares ("ORDs") of non-U.S. securities in non-U.S. markets and arrange for these ordinary shares to be converted into American Depositary Receipts/Shares or Global Depositary Receipts/Shares (collectively "DRs"). Fees and costs associated with the conversion and purchase of DRs are typically included in the net price of the DRs and incurred by the purchasing account. Some portion of such costs may be attributable to local broker fees, stamp fees, and local taxes. Trades on foreign exchanges may incur greater transaction charges than trades on U.S. exchanges.

To the extent Tradewinds exercises discretionary authority with respect to its clients that are the Funds and the Private Funds, it does so in a manner that is consistent with the investment objectives, strategies and limitations as disclosed in the Funds' Offering Documents. Tradewinds' discretion is also subject to the oversight of the respective Fund's governing body (*e.g.*, board of directors/trustees) and may be subject to the oversight of another investment adviser. In addition, the CITs are subject to the ultimate authority and responsibility of the respective trustee and Tradewinds' discretion is limited to the parameters provided by and overseen by the respective trustee.

Tradewinds provides investment advisory services to Managed Account clients based upon the particularized needs of the client as reflected in information provided to Tradewinds by the Program Sponsor. Each client in a Managed Account Program in which Tradewinds participates generally has the ability to impose reasonable restrictions on the management of its account. In such instances and, after review and agreement, Tradewinds will refrain from buying certain securities or types of securities the client does not wish to own. For Managed Account Programs, Tradewinds will not be able to accommodate investment restrictions that are unduly burdensome or materially incompatible with Tradewinds' investment approach.

#### Other Information about the Management of Client Portfolios

Tradewinds' portfolio managers are responsible for implementing investment decisions with respect to the investment strategy selected by an advisory client or Program Sponsor. Implementation of a client's investment strategy involves identification and selection of specific securities and investments to be purchased in light of current and anticipated economic and market conditions, taking into account guidelines, limitations and information relating to the client, legal restrictions and Tradewinds' internal strategy guidelines.

Under the oversight and investment direction of the strategy portfolio manager(s), and in accordance with the investment parameters established by the strategy portfolio manager(s), the assistant portfolio managers maintain certain day-to-day management

responsibilities providing instruction for trading in client accounts to manage cash balances, in-flows and out-flows and to manage dispersion.

Tradewinds may have difficulty liquidating certain client positions if Tradewinds holds a large percentage of a particular class of securities of an issuer. These securities may be illiquid due to Tradewinds' large ownership position and as such there may be a limited market for resale, which may adversely affect the value of the security if Tradewinds tries to sell all or a portion of the security. Similarly, Tradewinds ownership of a de minimis holding or odd lot may adversely affect the value of the security if Tradewinds tries to sell all or a portion of the security.

In connection with an account termination, a client may request the liquidation of the account's portfolio securities. Tradewinds will seek to honor such requests except where liquidation is impossible or impracticable (*e.g.*, where Tradewinds is unable to liquidate an illiquid security). In these instances, Tradewinds may deliver portfolio securities to the client in-kind.

Tradewinds utilizes an order management system which performs automated pre-trade and post-trade compliance reviews to assist the investment team with the management of their accounts. When performing pre-trade automated reviews, the compliance system typically uses market prices. However, when performing post-trade automated reviews, the compliance system uses prices as of the prior day's close. Additionally, the automated pre-trade compliance review considers open orders for a client portfolio when it pre-clears a trade for that portfolio. The execution of a particular purchase order prior to the execution of a pending sell order, or the execution of less than all of the outstanding orders for a client's portfolio may result in a deviation from the client's guidelines. These deviations are identified during the post-trade compliance review process and the investment team is notified of any new deviations to client guidelines daily and provided with a summary of unresolved deviations on a weekly basis.

To the extent the process does not capture any such deviations, Tradewinds believes they are generally minimal and that trimming such positions to bring the portfolio under the designated limit may result in unnecessary transaction costs without incremental benefit to the client. However, in circumstances where the securities purchased in excess of the designated limit decline in value, the associated loss may be greater than it would have been had the account not exceeded its limit. Conversely, in circumstances where the securities purchased in excess of the designated limit increase in value, such increase may inure to the benefit of the account.

The Tradewinds-Sector team utilizes a trading platform which performs automated pre-trade reviews to assist the investment team with the management of their accounts. Periodic post-trade reviews are conducted for adherence to strategy requirements. Additional reviews are performed as outlined in Item 13, Review of Accounts.



## **Wrap Fee Programs**

The services provided by Tradewinds to Managed Accounts may differ from the services provided to Institutional Accounts and other clients who do not participate in wrap fee programs. The investment strategies Tradewinds uses in managing Managed Accounts are similar to those offered to its institutional clients, but may involve fewer securities holdings due to smaller account sizes. Also, strategies vary among Program Sponsors.

Tradewinds does not have the ability to assist wrap fee program clients in filing class action claims or to vote a proxy proposal in a particular manner. Also, wrap fee program clients may not be able to purchase particular security types such as initial public offerings, ordinary shares of non-U.S. securities, and certain fixed income transactions.

When wrap fee programs permit Tradewinds to do so, Tradewinds trades away from the wrap sponsor or its broker-dealer affiliate to the extent Tradewinds determines trading away will help Tradewinds to achieve best execution over time. In making such determinations, Tradewinds considers a variety of factors including the size of the order, the expected market impact and the expected liquidity in the security, among others. In such cases, clients will typically incur transaction and other costs and fees in addition to the wrap fee; wrap fee program clients generally incur mark-ups and mark-downs in securities transactions in addition to the wrap fee payable to the Program Sponsor. In addition, clients typically incur foreign exchange fees (when applicable), ADR conversion rates (when applicable), and other exchange fees/taxes. Some broker-dealers serving as custodian charge fees for settling transactions executed through unaffiliated broker-dealers.

When Tradewinds trades away from the Program Sponsor or its broker-dealer affiliate, Tradewinds will aggregate orders with other Managed Account orders, or with both other Managed Account orders and Discretionary Brokerage Account orders (as defined herein below), and place the order with a broker for execution, who then steps the trade out to the Program Sponsor or broker-dealer affiliate for clearance and settlement. In such instances, Tradewinds believes combining orders as described ultimately benefits clients because the size of the block order should result in better execution for all accounts measured over time. Consequently, when permitted and when it deems appropriate to do so, Tradewinds directs a substantial portion of its wrap fee program trades away from Program Sponsors and their affiliated broker-dealers. See “Step-Out Transactions” in Item 12 below for additional information.

In consideration for providing investment advisory services to Managed Accounts, Tradewinds receives a portion of the wrap fee paid by Program participants. The management fees Tradewinds receives for providing investment advisory services to Managed Accounts are generally lower than Tradewinds’ management fees for Institutional Accounts.

Depending upon the level of the wrap fee charged by a wrap sponsor, the amount of portfolio activity in a client’s account, the value of the custodial and other services that are provided under a wrap arrangement and other factors, a wrap fee program client

should consider whether the wrap fee would exceed the aggregate cost of such services if they were to be provided separately. Similarly, a non-wrap fee program client paying separate fees should consider whether the fees charged by different parties for advisory services, portfolio management services, securities execution, custody, and other services would exceed the aggregate cost of such services if they were provided in a wrap fee arrangement.

Clients should review all materials relating to their Managed Account Program (including the Wrap Fee Program Brochure of the Program Sponsor, as applicable) regarding the Managed Account Program's terms, conditions and fees, and consider the potential advantages and disadvantages and overall appropriateness of the program in light of the client's particular circumstances.

### **Assets Under Management**

As of December 31, 2014, Tradewinds had approximately \$4,645,116,412.00 in assets under management. This total includes approximately \$357,214,958.00 in Unified Managed Account ("UMA") assets.

## **ITEM 5: FEES AND COMPENSATION**

### **Fee Schedules**

#### Advisory Fees for Institutional Accounts

Advisory fees for Institutional Accounts are generally determined based upon the following schedules. However, fees may fall outside of the stated ranges, or may be negotiated.

#### **International Value**

First \$50 million	.70%
Next \$100 million	.65%
Over \$150 million	.60%
Minimum Account Size: \$10 million	

#### **International Value (ADR)**

First \$5 million	.90%
Next \$15 million	.75%
Over \$20 million	.65%
Minimum Account Size: \$2 million	

#### **All-Cap**

First \$50 million	.80%
Over \$50 million	.75%
Minimum Account Size: \$10 million	

#### **Small/Mid-Cap Value**

Total Assets	.85%
Minimum Account Size: \$10 million	

#### **Multi-Cap Opportunities**

First \$25 million	.75%
Next \$25 million	.65%
Over \$50 million	.60%
Minimum Account Size: \$2 million	

#### **Global All-Cap**

First \$50 million	.75%
Over \$50 million	.65%
Minimum Account Size: \$10 million	

#### **Global (ADR)**

First \$25 million	.85%
Next \$25 million	.70%
Over \$50 million	.65%
Minimum Account Size: \$2 million	

**Global Select and Global Select (ADR)**

Total Assets	.65%
Minimum Account Size: \$1 million	

**Emerging Markets**

First \$25 million	.95%
Over \$25 million	.85%
Minimum Account Size: \$10 million	

**Japan Equity**

First \$25 million	.80%
Next \$25 million	.70%
Over \$50 million	.60%
Minimum Account Size: \$10 million	

**Tradewinds-Sector Strategy Fee Schedule**

The annual fee scale for managed equity institutional separate accounts in the Tradewinds-Sector strategies listed herein is computed as follows:

<u>Market Value of Account</u>	<u>Annual Fee</u>
First \$1 million	1.00%
Next \$9 million	0.85%
Next \$15 million	0.75%
Next \$25 million	0.65%
Over \$50 million	0.50%
Minimum Account Size: \$1 Million	

General Information

Tradewinds advisory fees are typically based on a percentage of the market value of the assets under its management. For eligible client accounts, performance-based fees may be negotiated in appropriate circumstances. Performance-based fees may create an incentive for Tradewinds to favor such performance-based fee accounts or make investments that are riskier or more speculative than would be the case in the absence of a performance-based fee. In these instances, Tradewinds' compensation may be larger than it would otherwise have been because the fee will be based on account performance instead of, or in addition to a percentage of assets under management. For more information on how Tradewinds addresses this conflict, please refer to Item 6. Tradewinds generally does not charge fixed fees.

Fees may vary from the applicable schedules above based on factors such as client type, asset class, pre-existing relationship, service levels, portfolio complexity, number of accounts, account size or other special circumstances or requirements and are negotiable in some cases. Some existing clients may pay higher or lower fees than new clients.

Tradewinds, in determining its fees, may give consideration to certain services provided to the client by a third party. Related accounts may be aggregated for fee calculation purposes in certain circumstances. Accounts of Tradewinds' employees, affiliate employees, former employees, or their family members may be managed by Tradewinds without an advisory fee.

When Tradewinds calculates fees, valuations of account assets are determined in accordance with Tradewinds' valuation procedures, which generally rely on third party pricing services, but may permit the use of other valuation methodologies in certain circumstances. Tradewinds' determinations may differ from valuations reflected in a client's custodial statements.

#### Advisory Fees for the Funds

Fees for advisory services for the Funds are separately negotiated between Tradewinds and the third-party or affiliated investment adviser and/or Fund. Fees may be performance-based or based on a percentage of assets under management. These fees are disclosed in the relevant prospectus or Offering Documents.

#### Advisory Fees for the Private Funds

In its capacity as investment manager to Private Funds, Tradewinds typically receives an annual management fee, generally paid quarterly in arrears, in an amount generally ranging from .50% to 1.50% (50 basis points to one and one half percent), depending on the investment strategy, of the net asset value of each investor's investment in the Private Funds. The management fee is described in more detail in the Offering Memorandum, as that term is described in Item 7, for the Private Funds.

#### Advisory Fees for Managed Account Programs

For Managed Accounts offered through wrap fee programs, Tradewinds' fee is determined by agreement between Tradewinds and the Program. Managed Account Program fees typically range from 1.5%-3% of the client's annual assets under management. The Program Sponsor usually pays Tradewinds a monthly or quarterly fee for its investment advisory services. The fee is generally up to 1.00% of the assets Tradewinds manages under the Managed Account Program depending on the size of the Program, services performed by the Program Sponsor and the strategy selected. Fees vary by Program based on the size of the Program, services, particular investment strategy, any pre-existing business relationship with Tradewinds or its affiliates and other factors.

For dual contract accounts, Tradewinds and Program Sponsors each charge their fees separately. Fees charged to dual contract accounts are individually negotiated between Tradewinds and the client and are charged on a monthly or quarterly basis. Fees paid to Tradewinds for fully bundled wrap fee Managed Account Programs are typically less than partially bundled or unbundled arrangements (including institutional separate accounts). In a partially bundled arrangement, the client pays a fee to the Program Sponsor for trade execution through the Program Sponsor, custody and consulting

services, and a separate fee to Tradewinds for the management of its account. Clients should carefully review all materials relating to their Managed Account Program regarding the program's terms, conditions and fees.

### **Deduction of Fees**

Tradewinds' fees are generally paid monthly or quarterly, in advance or in arrears, as provided in the agreement with the client, based on the market value of the account(s) as specified in the investment management agreement. In addition to securities, market values include cash, cash equivalents, accrued dividends and other income. If an account is opened or closed during a billing period, the advisory fees are pro-rated for that portion of the billing period during which the account was open. In certain cases, fees may be deducted from client accounts as agreed upon with the client. Clients should contact their custodian for more information relating to the deduction of fees from client accounts.

Program Sponsors typically collect the total wrap fee and remit Tradewinds' portion directly to Tradewinds. However, under some partially or unbundled arrangements, the client may pay Tradewinds' fee directly, or Tradewinds may deduct its fee from the client account.

### **Other Fees and Expenses**

Tradewinds may invest in closed-end funds, open-end funds, ETFs, exchange traded notes (ETNs), and other pooled investment vehicles (collectively "funds") on behalf of certain of its clients. When Tradewinds invests client assets in funds, unless otherwise agreed and where permitted by law, the client will bear its proportionate share of fees and expenses as an investor in the fund in addition to Tradewinds' investment advisory fees.

In addition, Tradewinds may invest client assets or recommend that clients invest in shares or other interests in the Funds or Private Funds to which Tradewinds or its related persons provide investment advice or other services, and from which Tradewinds and its affiliates receive advisory, administrative and/or distribution fees. To the extent that Tradewinds invests client assets in a Fund, Tradewinds may, depending on the arrangement with the Program Sponsor or client and any legal requirements, waive investment advisory fees on the assets invested in such investment company, credit the account for the fees paid by the investment company to Tradewinds' related persons, avoid or limit the payment of duplicative fees to Tradewinds and its related persons through other means, or charge fees both at the investment company level and separate account level.

Tradewinds' clients generally will incur brokerage and other transaction costs. For additional information about Tradewinds' brokerage practices and brokerage costs, please refer to Item 12.

As described in Item 4 above, in wrap programs that permit Tradewinds to trade away from the Program Sponsor or its broker-dealer affiliate, when it deems appropriate to do so, Tradewinds will trade a substantial portion away from such parties for the purpose of aggregating such orders with other Managed Account orders and Discretionary

Brokerage Account orders (as defined herein below). In such instances, Tradewinds will place the order with a broker for execution, who then steps the trade out to the Program Sponsor or broker-dealer affiliate for clearance and settlement. Tradewinds believes combining orders when appropriate as described, ultimately benefits clients and should result in better execution for all accounts measured over time. In such cases, clients will typically incur transaction and other costs and fees in addition to the wrap fee, such as mark-ups or mark-downs on the transaction, foreign exchange fees (when applicable), ADR conversion rates (when applicable), and other exchange fees/taxes. In addition, a Program Sponsor may charge additional fees for settling step-out transactions. For additional information about Tradewinds' brokerage arrangements, please refer to Item 12. Managed Account Program clients should review all materials available from a third party sponsor concerning the Program, Program Sponsor and the Program's terms, conditions and fees. From time to time, a client may instruct Tradewinds to suspend investment advisory services for their accounts for a period of time. Tradewinds may charge standard fees for all or a portion of such time to reflect the administrative costs associated with implementing such instructions.

### **Prepaid Fees**

To the extent an Institutional Account's investment management agreement or a partially or unbundled dual contract Managed Account Program client's agreement provides that Tradewinds' fees are to be paid in advance, the unearned portion of such fees will be refunded to the client upon termination of the service. For fully bundled wrap fee Managed Account Programs that provide that Tradewinds' fees are to be paid in advance, Tradewinds will refund any prepaid, but unearned fees to the Program Sponsor. The Program Sponsor is then responsible for refunding fees, as applicable, to the client upon termination of the service. The refunded amount will be determined on a pro-rata basis if the service is terminated within the payment period.

### **Compensation for the Sale of Securities**

Tradewinds supervised persons and related sales personnel typically market Tradewinds' investment capabilities to various institutional prospects and Program Sponsors. Tradewinds' investment capabilities may be available directly through provision of investment advisory services (through institutional separate accounts, Managed Accounts and the Private Funds), or indirectly by investment in the Funds advised or subadvised by Tradewinds.

Certain Tradewinds supervised persons and related sales personnel are also associated with Tradewinds' affiliated broker-dealer, Nuveen Securities, LLC, and in that capacity may engage in marketing or selling activities with respect to the Funds or the Private Funds. Please refer to Item 10 for additional information. Tradewinds supervised persons and related persons do not receive compensation related to the sales of Tradewinds' Funds or Private Funds. Clients have the option of purchasing the investment products offered through other brokers or agents not affiliated with Tradewinds.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Tradewinds manages multiple accounts with different investment objectives, guidelines and policies, and with different fee structures.

Tradewinds receives both asset-based fees and performance-based fees as compensation for its advisory services. Performance-based fees create an incentive for Tradewinds to favor those accounts over asset-based fee accounts or make investments that are riskier or more speculative than would be the case in the absence of a performance-based fee. In these instances, Tradewinds' compensation may be larger than it would otherwise have been as the fee will be based on account performance instead of, or in addition to, a percentage of assets under management. To the extent that Tradewinds manages accounts that are charged a performance-based fee side-by-side with accounts that are not charged a performance-based fee, Tradewinds periodically reviews allocations of investment opportunities and sequencing of transactions for accounts participating in the block order and periodically performs a comparative analysis of the performance between accounts with performance fees and those without performance fees.

Similarly, a conflict exists if Tradewinds were to favor accounts which were not performance-based fee accounts in the allocation of investment opportunities. To address this conflict, Tradewinds maintains policies and procedures designed to treat all clients fairly when aggregating and allocating investment opportunities and periodically reviews allocations and sequencing of non-performance-based fee account transactions.

Any exceptions or issues arising from the reviews are brought to the attention of Tradewinds' Chief Compliance Officer.



## **ITEM 7: TYPES OF CLIENTS**

Tradewinds provides investment advisory services to a wide variety of retail and high net worth individual and institutional clients, including corporate and multi-employer plans, charitable organizations, educational institutions, trust accounts, estates, corporations or other business entities, banks and thrift institutions, insurance companies, governments and municipalities.

Additionally, Tradewinds provides investment sub-advisory services to affiliated and unaffiliated open-end and closed-end investment companies registered under the Company Act, as amended, CITs, and UCITS Funds. Tradewinds also provides portfolio recommendations to sponsors of UITs, which are sold by the sponsor through broker-dealers and other firms.

Tradewinds provides investment advice to private investment funds which are generally organized as Delaware statutory trusts.

Tradewinds provides services to these clients under direct advisory and sub-advisory mandates (the “Institutional Accounts”). In addition, Tradewinds provides investment advisory services to institutional and individual clients through Managed Accounts sponsored by Program Sponsors. Although most services are provided on a discretionary basis, Tradewinds also provides certain services on a non-discretionary and model portfolio basis.

### Institutional Accounts

Tradewinds provides investment advisory services to institutions and high net worth individuals through separate accounts. Tradewinds’ investment advisory services are provided based on the stated objectives and/or guidelines of a client account. Tradewinds generally offers its separate account services for fees based on assets under management as described in Item 5.

### The Funds

Tradewinds provides investment advisory and sub-advisory services to the Funds in accordance with the terms of the prospectus, trust agreement or other governing documentation, as applicable (together “Offering Documents”).

### The Private Funds

Depending on the specific terms of the respective Private Funds, an investor may, on at least 30 to 45 days’ prior notice to Tradewinds, and in some cases subsequent to the second anniversary of an investment, withdraw all or part of their capital account or redeem an amount not less than \$100,000 as of the last day of the calendar quarter. Tradewinds may suspend the right of withdrawal under extraordinary circumstances. Tradewinds, in its discretion, may waive the notice period or permit withdrawals at other time and in other amounts.

This overview of private investments funds is designed to be a general summary. With respect to a specific Private Fund, this summary is qualified in its entirety by the specific Private Fund's offering memorandum (the "Offering Memorandum") relating to such Private Fund. The Offering Memorandum describes the terms and conditions of the fund, including fees and risk factors, and should be read carefully prior to investment.

### Managed Account Programs

Tradewinds provides investment advisory services to Managed Accounts through wrap fee and dual contract Managed Account Programs. In traditional wrap fee programs, Tradewinds provides its investment advisory services pursuant to an advisory agreement with the wrap fee program sponsor. Wrap fee programs typically include comprehensive custody, financial advisory and certain trading (provided by the Program Sponsor) and investment advisory services (provided by the manager) for a bundled fee payable to the sponsor ("wrap").

In a dual contract program, Tradewinds provides its advisory services pursuant to an advisory agreement directly with the client. A client may separately arrange with one or more third parties for custody, financial advisory and certain trading services to be provided on a partially-bundled or unbundled basis. In a partially-bundled program, certain of such services (typically custody, financial advisory, and certain trading) are provided in a bundled fee arrangement. In an unbundled arrangement, such services are contracted, provided and paid for separately.

For fully bundled wrap programs, the minimum account size is typically \$100,000, although the specific minimum account size varies by program and may be as low as \$50,000. For partially bundled programs, the minimum account size may be as low as \$100,000. Tradewinds may raise, lower or waive the minimum account size in certain circumstances.

For Managed Accounts, Tradewinds is appointed to act as an investment adviser through a process generally administered or assisted by the Program Sponsor. Under these arrangements, participating clients, generally with assistance from the Program Sponsor, may select Tradewinds to provide investment advisory services for their account (or a portion thereof). Tradewinds generally relies on the Program Sponsor to determine the suitability of a Tradewinds strategy for a prospective client. Tradewinds reserves the right to decline to manage any Managed Account. Managed Account agreements may be terminated, generally, at the written request of the client, the Program Sponsor or Tradewinds. In the event of termination, the investment management fee will be pro-rated.

Once appointed to serve as investment adviser to a Managed Account, Tradewinds provides investment advisory services based upon information provided to Tradewinds generally by the Program Sponsor.

Tradewinds generally maintains investment discretion as to which securities shall be purchased or sold in a Managed Account in a manner consistent with written information

received regarding the client's selected management style, investment objectives, policies and restrictions (if any) and the capabilities of the client's selected custodian.

Tradewinds seeks to commence management of a Managed Account as soon as practicable after review of the account documentation, acceptance of its appointment as investment adviser and contribution of assets to the client's account. The time required to commence management may vary depending on the time required to complete these steps, the efficiency of the Program Sponsor and/or other third parties, and the time required to establish an appropriate portfolio.

Clients should review the terms and conditions of their particular Managed Account Program to understand its policy regarding the investment of cash balances. Such account balances are frequently invested in money market funds managed by affiliates of the Program Sponsor. Investment of clients' funds in money market funds may result in the payment of additional investment advisory fees to the money market fund manager that may be an affiliate of the Program Sponsor.

From time to time, the Program Sponsor may instruct Tradewinds to suspend investment management services for a Managed Account for a period of time. Tradewinds may charge standard fees for a portion of such time to reflect the administrative costs associated with implementing such instructions.

Tradewinds and its affiliates have multiple business relationships with Program Sponsors and their affiliates, including, but not limited to, brokerage and research services and product distribution arrangements.

The services provided to Managed Accounts may differ among the various Managed Account Programs as noted in Item 4. However, Tradewinds generally will make its representatives available for communications as reasonably requested by clients and/or Program Sponsors. Clients are encouraged to consult their own financial advisers and legal and tax professionals on an initial and continuous basis in connection with selecting and engaging the services of an investment manager in a particular strategy and participating in a Managed Account Program.

As specifically requested by a Program Sponsor from time to time, Tradewinds may provide pro-forma reports that analyze a prospective client's current holdings or provide an illustration of the effect of performance of a Tradewinds composite over a particular time period in a manner directed by the Program Sponsor. Such reports are not intended to constitute investment advice, research or recommendations.

#### Model-Based Programs

Tradewinds also participates in model-based Managed Accounts Programs. In such Programs, Tradewinds provides the Program Sponsor or an overlay manager (model-based Program Sponsor) non-discretionary investment advice through model portfolios and, in certain cases, handles certain limited trading and other functions. The model-based Program Sponsor is generally responsible for investment decisions and performing many other services and functions typically handled by Tradewinds in a traditional

discretionary Managed Account Program. Depending on the particular facts and circumstances, Tradewinds may or may not have an advisory relationship with model-based program clients. To the extent that this Form ADV Part 2 is delivered to Program clients with whom Tradewinds has no advisory relationship or under circumstances where it is not legally required to be delivered, it is provided for informational purposes only. Furthermore, because a model-based Program Sponsor generally exercises investment discretion and, in many cases, brokerage discretion, performance and other information relating to Tradewinds' services for which it exercises investment and/or brokerage discretion is generally provided for informational purposes only and may not be representative of model-based program client results or experience. Tradewinds is not responsible for overseeing the provision of services by a model-based Program Sponsor and cannot assure the quality of its services.

The recommendations implicit in the model portfolios provided to the model-based Program Sponsor may reflect recommendations being made by Tradewinds contemporaneously to, or investment advisory decisions made contemporaneously for, Tradewinds' similarly situated discretionary clients. The model-based Program Sponsor, in its sole discretion, may or may not choose to act upon any or all of Tradewinds' recommendations. In the instances where the model-based Program Sponsor chooses to act upon the recommendations, Tradewinds may have already commenced trading for its discretionary client accounts before the model-based Program Sponsor has received or had the opportunity to evaluate or act on Tradewinds' recommendations. In this circumstance, trades ultimately placed by the Program Sponsor for its clients may be subject to price movements, particularly with large orders or where the securities are thinly traded, that may result in model-based Managed Account Program clients receiving prices that are less favorable than the prices obtained by Tradewinds for its discretionary client accounts. On the other hand, the Program Sponsor may initiate trading based on Tradewinds' recommendations at the same time Tradewinds is trading for its discretionary client accounts. Particularly with large orders where the securities are thinly traded, this could result in Tradewinds' discretionary clients receiving prices that are more or less favorable than prices that might otherwise have been obtained absent the Program Sponsor's activity. Tradewinds generally seeks to minimize the market impact of the recommendations provided to the Program Sponsor on accounts for which Tradewinds exercises investment discretion. Because Tradewinds does not control the Program Sponsor's execution of transactions for the Program Sponsor's client accounts, Tradewinds cannot control the market impact of such transactions to the same extent that it would for its discretionary client accounts. However, Tradewinds seeks to minimize the market impact of the recommendations provided to the model-based Program Sponsor by using its discretion in releasing orders in a manner which seeks to cause the least possible impact while keeping within the approximate price range of the discretionary block.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **General Description**

Tradewinds' primary investment process consists of a long-term investment approach which implements its investment strategies through an active research-driven, fundamentals-based, value-oriented process. This investment discipline seeks to identify potential investments that trade at attractive absolute valuations, offer good downside protection/risk-reward and possess strong franchise quality.

Tradewinds stock selection process is driven by bottom-up fundamental research. The stock selection process is distinguished by deep specialization, fundamental analysis and transparency. Tradewinds' research analysts constantly evaluate companies within their defined investable universe based upon a variety of both qualitative and quantitative criterion. Quantitative measures include price-to-earnings, price-to-book value, price to sales, price to net-present value, price-to-free cash flow, sustainable dividend yield and price to liquidation/replacement value. This qualitative analysis assists the research team in producing an understanding of franchise quality, management strength, corporate strategy, barriers-to-entry, shareholder value orientation, operating and industry fundamentals and competitive advantage. Strategic catalysts such as management change, company restructuring and industry consolidation are also identified. Additionally, Tradewinds continually focuses on change – in regions, countries and industries – in an effort to identify opportunities. In addition, prior to investing in a company, Tradewinds considers how liquid the name is both in the local market and in the U.S. if that company has a Depositary Receipt.

Tradewinds uses a variety of sources of information to facilitate such analysis. In particular, Tradewinds may consult with securities analysts, selected broker-dealers, market-makers, economists, and others in formulating investment strategies. Tradewinds also may attend company presentations and participate in interviews and inspections of certain companies. In addition to inspections of corporate activities, Tradewinds may engage in discussions with management and others having business with the company or expertise in a particular industry. Tradewinds also regularly monitors newspapers, magazines, and industry and trade journals; websites; information and research provided by affiliated and unaffiliated analysts and consultants; corporate rating services; annual reports, prospectuses, and other SEC filings; and information published by the company, such as press releases.

General descriptions of Tradewinds' investment strategies are included below. These descriptions are not intended to serve as specific account guidelines. Tradewinds reserves the right to limit the availability of any particular strategy at any given time based on factors including capacity, pre-existing relationships, minimum account sizes, fees and distribution channels. In addition, Tradewinds may develop other investment strategies from time to time and manage portfolios according to a client's specific investment guidelines, thus, strategies may vary by client account. Certain strategies may be available only in certain channels or through a purchase of shares of the Funds, or the

Private Funds. The descriptions of the investment strategies below are qualified in their entirety by the information provided by Tradewinds or a related party to their advisory clients, included in the Offering Documents, the Offering Memorandum, or included in or provided with any Managed Account Program disclosure statement. Prior to investing in any Fund or Private Fund, investors should review the relevant Offering Documents or Offering Memorandum.

## **Strategies**

The **International Value** strategy seeks to identify intrinsically undervalued non-U.S. companies that have a strong and/or improving franchise quality. U.S. companies with a significant portion of their assets and/or operations located outside of the U.S. are also eligible for investment. The strategy utilizes foreign ordinary shares (ORDs) and may also invest in Depositary Receipts (DRs) or equivalent securities.

The **International Value (ADR)** strategy seeks to identify intrinsically undervalued non-U.S. companies that have a strong and/or improving franchise quality. U.S. companies with a significant portion of their assets and/or operations located outside of the U.S. are also eligible for investment. The strategy utilizes foreign equities in the form of Depositary Receipts (DRs) or equivalent securities.

The **All-Cap** strategy seeks to identify intrinsically undervalued companies that have a strong and/or improving franchise quality. The universe of eligible securities includes companies whose market capitalizations are typically \$100 million and up at time of purchase. Convertible bonds and Depositary Receipts (DRs) or equivalent securities (excluding Canada, Bermuda, and the Caribbean) each are generally limited to 20% at time of purchase.

The **Multi-Cap Opportunities** strategy seeks to identify intrinsically undervalued companies that have a strong and/or improving franchise quality. The universe of eligible securities includes companies whose market capitalizations are typically \$1 billion and up at time of purchase. Depositary Receipts or equivalent securities (excluding Canada, Bermuda, and the Caribbean) are generally limited to 20% at time of purchase.

The **Small/Mid-Cap Value** strategy seeks to identify intrinsically undervalued companies that have a strong and/or improving franchise quality. The universe of eligible securities includes companies whose market capitalizations typically range from \$100 million to \$15 billion at time of purchase. Convertible bonds and Depositary Receipts (DRs) or equivalent securities (excluding Canada, Bermuda, and the Caribbean) each are generally limited to 20% at time of purchase.

The **Global All-Cap** strategy seeks to identify intrinsically undervalued global companies with a strong and/or improving franchise quality. For the exposure to non-U.S. equities, the strategy utilizes foreign ordinary shares (ORDs) and may also invest in Depositary Receipts (DRs) or equivalent securities.

The **Global (ADR)** strategy seeks to identify intrinsically undervalued global companies that have a strong and/or improving franchise quality. For the exposure to non-U.S. equities, the strategy utilizes Depositary Receipts (DRs) or equivalent securities.

The **Global Select and Global Select (ADR)** strategies seek to identify intrinsically undervalued global companies with a strong or improving franchise quality. For exposure to non-U.S. equities, Global Select (ADR) utilizes Depositary Receipts (DRs) or equivalent securities, while Global Select utilizes foreign ordinary shares (ORDs) and may also invest in Depositary Receipts (DRs) or equivalent securities. Global Select and Global Select (ADR) are concentrated strategies, generally intending to hold 20-35 positions.

The **Emerging Markets** strategy seeks to identify intrinsically undervalued emerging market companies, including companies with a significant portion of their assets and/or operations located in emerging markets that have a strong and/or improving franchise quality. The strategy utilizes foreign ordinary shares (ORDs) and may also invest in Depositary Receipts (DRs) or equivalent securities.

The **Japan Equity** strategy seeks to identify intrinsically undervalued Japanese companies that have a strong and/or improving franchise quality. The strategy utilizes foreign ordinary shares (ORDs) and may also invest in Depositary Receipts (DRs) or equivalent securities.

**NOTE: With respect to each of the strategies referenced above, unless otherwise noted, concentration limits are measured at time of purchase. In addition, for the strategies referenced above, Tradewinds defines emerging markets as any country not classified as developed by MSCI (i.e., MSCI World Index constituent countries).**

### **Tradewinds–Sector**

The Tradewinds-Sector team employs an investment process that is separate and distinct from that of the core Tradewinds team described above.

Tradewinds-Sector employs a unique fundamental and quantitative investment strategy custom tailored to each of the ten economic sectors as defined by the Global Industry Classification Standard (GICS) or similar. In each of Tradewinds-Sector strategies, we seek to maintain near sector neutrality to a given benchmark. We then apply our overweight and underweight decisions by way of our industry allocations and individual stock concentrations. We believe this results in a portfolio that is well balanced between value and growth with lower risk that can deliver more consistent performance over time.

Tradewinds-Sector believes this fundamental and quantitative process seeks to ensure that decisions are based on facts and results in a disciplined repeatable investment process.

Tradewinds-Sector believes risk is reduced and returns can be enhanced by targeting high quality companies. We define high quality companies as those with some or all of the

following: attractive balance sheets, a cash cushion or margin of safety, increasing cash flows and low manageable levels of debt.

The Tradewinds-Sector team manages equity strategies in four main groups: U.S. Large Capitalization, U.S. Small to Medium Capitalization, Global and International, and Dividend or Income-Optimized Equities.

**Tradewinds-Sector Plus** is a sector-neutral and style balanced strategy that invests in 75-100 medium to large capitalization companies. It can invest in both U.S. common stocks and also international ADRs. The portfolio is rebalanced at a minimum of once a year to be sector-neutral to the S&P 500 or other broad market index. Securities are equally weighted within this strategy. Sector Plus is highly customizable and can be offered in a socially responsible, passive, tracking error-adjustable, or concentrated version.

**Tradewinds-Sector Small/Mid Cap** is an equity strategy that focuses on high quality small-to-mid cap stocks that exhibit characteristics consistent with the “growth-at-a-reasonable-price” (GARP) philosophy. It invests in approximately 40-60 stocks and targets ADRs with double digit earnings growth, attractive valuations, and significant liquidity. It typically invests in such securities with a market capitalization between \$500 million and \$15 billion. Securities are dynamically weighted in the portfolio. This strategy attempts to be diversified by sector with a maximum weight of 30% to any one sector and a minimum of zero.

**Tradewinds-Sector Small Cap** is an equity strategy focusing on small cap value-oriented stocks and ADRs. It invests in approximately 40-60 securities typically with a market capitalization below \$2 billion at the time of purchase. This strategy seeks securities with attractive valuations and strong return on equity. Positions are dynamically weighted and sector weights are diversified. Since small capitalization securities have greater risks associated with them than large capitalization securities, an emphasis is placed on each individual securities valuation with an aim of buying these securities at an attractive valuation point according to the team’s analysis.

**Tradewinds-Sector International Equity (ADR)** is an equity strategy that invests in U.S. exchange listed common stocks and ADRs of companies with their primary base of business located outside the U.S. (as determined primarily by the company’s headquarters and/or a company’s primary source of revenue). It seeks to invest in approximately 40-60 securities with a market capitalization above \$1 billion that exhibit double digit earnings growth, attractive valuations, and significant liquidity. It will invest in both developed countries and also countries considered to be emerging markets. This strategy aims to invest in high quality companies and companies with the most liquidity from emerging markets. The overall allocation to emerging markets is generally limited in the portfolio to a maximum of 35%. The strategy intends to be diversified by country and by sector.

**Tradewinds-Sector Global Opportunities** is similar to the Tradewinds-Sector International Equity (ADR) strategy except it will also invest in U.S. based companies. It



typically invests in approximately 50-70 securities with a market capitalization over \$1 billion. It invests in both developed and emerging markets. This strategy balances the allocation between U.S. and non-U.S. companies as well as between large cap and small to mid-cap or emerging markets. There is a maximum weight in small to mid-cap securities of 25%, and a maximum weight to emerging markets of 25% and the weight can shift between U.S. and non-U.S. exposure from 40% and 60%. The strategy is designed to be diversified by country and by sector.

**Tradewinds-Sector Emerging Markets** is an emerging market-focused investment strategy that is diversified across approximately 40-60 stocks and ADRs. This strategy seeks to invest in high quality companies with the most liquidity in emerging market countries. The strategy intends to be diversified by country and by sector.

**Tradewinds-Sector Dividend Select** is a high dividend focused global equity strategy that invests in approximately 35-55 large cap and high quality companies. It seeks to invest in both U.S. and non-U.S. based companies that exhibit high dividend yield combined with strong fundamentals including solid earnings and dividend growth, attractive valuations, strong balance sheets, and good liquidity. This strategy invests in companies that produce above average dividends combined with very strong financials. Securities are dynamically weighted and diversified by sector and country. Non-U.S. securities are limited to 50% of the overall portfolio.

**Tradewinds-Sector Dividend Preferred** is a specialty income strategy that seeks to maximize income. The primary objective is to maximize yield/income with a secondary objective of modest growth. The strategy can invest in common stocks, ADRs, preferred stocks, high yield and floating rate bond ETFs and REITs. This strategy is a defensive equity strategy attempting to produce a yield significantly above that of the broad stock market and the Ten-Year Treasury. It invests in 30 to 40 securities diversified across sectors with a bias towards financial companies. Preferreds are limited to one-third of the overall portfolio and must maintain a minimum overall average rating from S&P of BBB+.

#### Additional Information about Equity Strategies

Each of the equity portfolios may pursue other strategies or invest in other instruments described in this Brochure. Certain portfolios may invest in fixed income securities. Certain portfolios may invest in equity securities of companies of various market capitalizations, as determined by Tradewinds. Certain portfolios exclude investments that are deemed inconsistent with environmental, social and governance (“ESG”) guidelines.

Securities in which the portfolios invest may include common stocks, publicly-traded units of master limited partnerships (MLPs), real estate investment trusts (REITs), ETFs and other investment companies. Some of these securities may give rise to unrelated business taxable income from time to time. Clients should consult their tax advisers regarding the tax implications of such investments.

In addition, a portion of a portfolio's assets may be invested in non-dollar denominated equity securities of non-U.S. issuers and in dollar-denominated equity securities of non-U.S. issuers that are either listed on a U.S. stock exchange or represented by depositary receipts that may or may not be sponsored by a domestic bank. Certain portfolios may hold depositary receipts. The portfolios may also be invested in warrants and securities convertible or exchangeable for equity securities such as convertible bonds.

Certain of the above equity securities portfolios may use derivatives, specifically options, index options, interest rate caps, collars, futures contracts, options on futures contracts, and forward non-U.S. currency exchange contracts, to manage various types of risk, enhance a portfolio's return, equitize cash or hedge against adverse movements in currency exchange rates. In addition, certain portfolios may use derivatives such as swaps, including interest rate swaps, total return swaps, swaptions, credit default swaps and non-U.S. currency swaps, as well as other derivatives, to hedge the risk of investment in securities, substitute for a position in an underlying security, reduce transaction costs, maintain full market exposure, manage cash flows and preserve capital. Certain portfolios may also use derivatives, such as participatory notes and equity-linked securities, to gain exposure to equity and other securities of certain issuers. In addition, certain portfolios may write (sell) covered call options or buy put options on an index, or on some or all of the stocks or other securities they invest in, as well as using call spreads or other types of options to generate premium income and reduce volatility on a portfolio's return, with the intent of improving a portfolio's risk adjusted return. Certain portfolios may invest in stock index futures contracts, options on stock indices, and options on stock index futures to maintain the liquidity needed to meet redemption requests, to increase the level of portfolio assets devoted to replicating an index, and to reduce transaction costs. In addition, certain portfolios may utilize forward contracts to enhance returns. Investments in these types of investments are not suitable for all investors as they are speculative and carry a high degree of risk.

Certain portfolios may also invest in Rule 144A securities, private placements and private investments in public equity (PIPEs), which may lack liquidity or a readily assessable market value. In addition, Tradewinds may hold securities that become illiquid after purchase due to market or other conditions. Private placements pose greater liquidity risks than publicly traded securities. Investments in illiquid securities may restrict Tradewinds' ability to dispose of investments in a timely fashion and for a fair price and may impede Tradewinds' ability to take advantage of market opportunities.

Additional investments for certain portfolios may be made in the energy and related sectors, which may include (i) land holdings, lease rights and mineral rights; exploration agreements, working interests, ownership agreements, participant agreements and royalty agreements; supply-chain and service assets; and existing reserves, (ii) direct investments in operating companies, which includes direct investment in and/or the formation of businesses that operate in the energy industry, and (iii) investment entities, which include privately offered separately managed collective investment vehicles, including corporations, limited liability companies, and limited partnerships, whether onshore or offshore that principally invest in the energy and related sectors.

Certain portfolios may also invest in preferred securities, convertible securities, rights and warrants, if attached to stocks held in the portfolio, debt secured by mortgages, debt securities issued by non-U.S. and supranational issuers, debt secured by loans, and other fixed income securities. These debt securities may be rated below investment grade (“high yield”). Additionally, certain portfolios may invest in securities that are not readily marketable.

### General Risks

As with any investment, loss of principal is a risk of investing in accordance with any of the investment strategies described above. The strategies described above also are subject to the risks summarized below. However, the following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment strategy. Prospective clients are encouraged to consult their own financial advisors and legal and tax professionals on an initial and continuous basis in connection with selecting and engaging the services of Tradewinds for a particular strategy. In addition, due to the dynamic nature of investments and markets, strategies may be subject to additional and different risk factors not discussed herein.

*Concentration/Diversification Risk* — An account’s concentration of investments in securities of issuers a limited number of issuers, industries, sectors, countries, states or regions subjects an account to conditions that may adversely impact the area of concentration. In addition, concentration of investments of issuers located in a particular state subjects an account to government policies within that state. Similarly, a concentrated account may invest a large portion of its assets in a fewer number of issuers than an account with a larger number of positions. If a relatively high percentage of an account’s assets may be invested in the securities of a limited number of issuers, an account may be more susceptible to any single, economic, political or regulatory occurrence than a more diversified portfolio.

*Deflation Risk* — Deflation risk is the risk that prices throughout the economy decline over time, which may have an adverse effect on the market valuation of companies, their assets and revenues. In addition, deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of a portfolio.

*Derivatives Risk* — The use of derivatives presents risks different from, and possibly greater than, the risks associated with investing directly in traditional securities. The use of derivatives can lead to losses because of adverse movements in the price or value of the underlying asset, index or rate, which may be magnified by certain features of the derivatives, and changes in the value of the derivative may not correspond, as intended, with changes in the value of the underlying asset, index or rate. These risks are heightened when the adviser uses derivatives to enhance a fund’s return or as a substitute for a position or security, rather than solely to hedge (or offset) the risk of a position or security held by the account. In addition, when the accounts invest in certain derivative securities, including, but not limited to, when-issued securities, forward commitments, futures contracts and interest rate swaps, they are effectively leveraging their

investments, which could result in exaggerated changes in the net asset value of the funds' shares and can result in losses that exceed the amount originally invested. These risks are heightened when the adviser uses derivatives to enhance an account's return or as a substitute for a position or security, rather than solely to hedge (or offset) the risk of a position or security held by the account.

An account may be subject to credit risk with respect to the counterparties to certain derivatives agreements entered into by the account. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, the account may experience significant delays in obtaining any recovery under the derivative contract in a bankruptcy or other reorganization proceeding. The account may obtain only a limited recovery or may obtain no recovery in such circumstances.

Writing (selling) covered call options on some or all of an account's holdings subject the account to additional risks. Because a covered call strategy limits participation in the appreciation of the underlying asset, in this case the securities, owning securities in an account is not the same as an investment linked to the performance of the securities. By writing covered call options on the securities, an account will give up the opportunity to benefit from potential increases in the value of the securities above the exercise prices of the options, but will continue to bear the risk of declines in the value of the securities. The premiums received from the options may not be sufficient to offset any losses sustained from the volatility of the securities over time.

An account may purchase put options or index put options to protect against a significant market decline over a short period of time. If an option purchased by the account is not sold or exercised when it has remaining value, the account will lose its entire investment in the option.

*Inflation Risk* — Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of an account and distributions can decline.

*Management/Asset Allocation Risk* — Actively managed accounts are dependent upon an adviser's or sub-adviser's ability to make investment decisions to achieve an account's investment objective. As a result, an account may underperform its benchmark or other portfolios with similar investment objectives.

*Preferred Security Risk* — Preferred securities are subordinated to bonds and other debt instruments in a company's capital structure and therefore will be subject to greater credit risk than those debt instruments.

*Short Selling* – Selling a stock short involves selling borrowed securities in anticipation of replacing the borrowed securities at a lower price. If the value of the stocks held short increases, the account would have to pay more to replace the borrowed securities. The value of the stocks held "long" could decline, or could decline at the same time that the value of the stocks held short could increase, resulting in greater losses. The potential

exists that short positions may not be able to be closed out at an advantageous time or at a favorable price. Unlike stocks held long, the potential of loss on stocks sold short is unlimited.

*Master Limited Partnership (MLP) Risk* - An investment in an MLP exposes an account to the legal and tax risks associated with investing in partnerships. MLPs may have limited financial resources, their securities may be relatively illiquid, and they may be subject to more erratic price movements because of the underlying assets they hold.

*Underlying Fund Risk* - Investing in underlying funds, particularly in an asset allocation portfolio, causes a portfolio to indirectly bear the portfolio's portion of the costs and expenses of the underlying fund, in addition to portfolio expenses. Investing in underlying funds also subjects a portfolio to the same risks associated with directly investing in securities held by the underlying fund. Additionally, for index-based funds (including ETFs), the performance of the fund may diverge from the performance of such index (commonly known as tracking error).

### Equity Risks

*Common Stock Risk* — Stocks may decline significantly in price over short or extended periods of time. Price changes may occur in the market as a whole, or they may occur in only a particular country, company, industry, or sector of the market. In addition, the types of stocks in which a particular account invests, such as value stocks, growth stocks, large-capitalization stocks, mid-capitalization stocks, small-capitalization stocks and/or micro-capitalization stocks, may underperform the market as a whole. Value stocks can continue to be undervalued by the market for long periods of time. Dividends on common stocks are not fixed, but are declared at the discretion of an issuer's board of directors. There is no guarantee that the issuers of common stocks in which an account invests will declare dividends in the future or that if declared they will remain at current levels or increase over time.

*Energy Securities Risk* — Equity securities of energy and natural resources companies are especially affected by developments in the commodities markets, the supply of and demand for specific resources, products and services, the price of oil and gas, exploration and production spending, government regulation, economic conditions, international political developments, energy conservation efforts and the success of exploration projects. If a strategy is focused on investments in these companies, it may present more risks than if it were broadly diversified over numerous industries and sectors of the economy.

*Illiquid Securities Risk* — Illiquid securities are securities that are not readily marketable and may include some restricted securities, which are securities that may not be resold to the public without an effective registration statement under the Securities Act of 1933 or, if they are unregistered, may be sold only in a privately negotiated transaction or pursuant to an exemption from registration. Illiquid securities involve the risk that the securities will not be able to be sold in a timely fashion or at a fair price.

*Mid-Cap/Small-Cap Stock Risk* — Small-cap companies may lack the management expertise, financial resources, product diversification, and competitive strengths of larger companies. In addition, the frequency and volume of their trading may be less than is typical of larger companies, making them subject to wider price fluctuations. In some cases, there could be difficulties in selling the stocks of small-cap companies at the desired time and price. Mid-cap companies may have limited product lines, markets or financial resources, and they may be dependent on a limited management group. Stocks of small-cap and mid-cap companies may be subject to more abrupt or erratic market movements than those of large, more established companies or the market averages in general.

*Style-Specific Risk* — Different types of stocks tend to shift in and out of favor depending on market and economic conditions. To the extent an account emphasizes a value style of investing, it runs the risk that undervalued companies' valuations will never improve.

### Fixed Income Risks

*Credit Risk* — Credit risk is the risk that an issuer of a debt security will be unable to make interest and principal payments when due and the related risk that the value of a security may decline because of concerns about the issuer's ability to make such payments. Credit risk may be heightened for portfolios that may invest in "high yield" securities.

*Convertible Securities Risk* — Convertible securities generally offer lower interest or dividend yields than non-convertible fixed-income securities of similar credit quality because of the potential for capital appreciation. The market values of convertible securities tend to decline as interest rates increase and, conversely, to increase as interest rates decline. In the event of a liquidation of the issuing company, holders of convertible securities would be paid before that company's common stockholders. Consequently, an issuer's convertible securities generally entail less risk than its common stock. However, convertible securities rank below debt obligations of the same issuer in order of preference or priority in the event of a liquidation or reorganization and are typically unrated or rated lower than such debt obligations. Different types or subsets of convertible securities may carry further risk of loss.

*Extension Risk* — During periods of rising interest rates, the average life of certain types of securities may be extended because of lower than expected principal payments. This may lock in a below market interest rate, increase the security's duration and reduce the value of the security. This is known as extension risk. Market interest rates for investment grade fixed-income securities are currently significantly below the historical average rates for such securities. This decline may have increased the risk that these rates will rise in the future; however, historical interest rate levels are not necessarily predictive of future interest rate levels.

*High Yield Securities Risk* — High yield, or below investment grade securities, may be more susceptible to real or perceived economic conditions than investment grade securities. In addition, the secondary trading market for below investment grade

securities may be less liquid. High yield securities generally have more volatile prices and carry more risk to principal than investment grade securities.

*Inflation Risk* – The value of assets or income from investments may be lower in the future as inflation decreases the value of money. As inflation increases, the value of an account's assets can decline, as can the value of an account's distributions.

*Interest Rate Risk* — Interest rate risk is the risk that the value of an account will decline because of rising interest rates. Interest rate risk is generally lower for shorter-term investments and higher for longer-term investments. Duration is a common measure of interest rate risk. Duration measures a bond's expected life on a present value basis, taking into account the bond's yield, interest payments and final maturity. The longer the duration of a bond, the greater the bond's price sensitivity to changes in interest rates.

*Liquidity Risk* – The accounts may invest in lower-quality debt instruments. Lower-quality debt tends to be less liquid than higher-quality debt. If the economy experiences a sudden downturn, or if the debt markets for a particular security become distressed, an account may have difficulty selling its assets in sufficient amounts, at reasonable prices and in a sufficiently timely manner to raise the cash necessary to meet any potentially heavy redemption request.

*Mortgage/Asset-Backed Securities Risk* — The value of the account's mortgage-related securities can fall if the owners of the underlying mortgages pay off their mortgages sooner than expected, which could happen when interest rates fall, or later than expected, which could happen when interest rates rise. With respect to asset-backed securities, the payment of interest and the repayment of principal may be impacted by the cash flows generated by the assets backing the securities. The downturn in the housing market and the resulting recession in the United States have negatively affected, and may continue to negatively affect, both the price and liquidity of mortgage-related and asset-backed securities.

*Preferred Securities Risk* — Preferred securities risk involves credit risk, which is the risk that a preferred security will decline in price or fail to make dividend payments when due because the issuer of the security experiences a decline in its financial status. In addition certain preferred securities carry provisions that allow an issuer under certain circumstances to skip distributions (in the case of "non-cumulative" preferred securities) or defer distributions (in the case of "cumulative" preferred securities). If an account owns a preferred security that is deferring its distributions, the account may be required to report income for tax purposes while it is not receiving income from that security. In certain circumstances, an issuer may redeem its preferred securities prior to a specified date in the event of certain tax or legal changes or at the issuer's call, and the account may not be able to reinvest the proceeds at comparable rates of return. Preferred securities typically do not provide any voting rights, except in cases where dividends are in arrears for a specified number of periods. Preferred securities are subordinated to bonds and other fixed income instruments in a company's capital structure in terms of priority to corporate income and liquidation payments, and therefore will be subject to greater credit risk than those fixed income instruments.

*Prepayment Risk* — During periods of declining interest rates, the issuer of certain types of securities may exercise its option to prepay principal earlier than scheduled, forcing an account to reinvest in lower yielding securities. This is known as call or prepayment risk. Debt securities frequently have call features that allow the issuer to repurchase the security prior to its stated maturity. An issuer may redeem an obligation if the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer.

*Real Estate Securities*— Equity REITs will be affected by changes in the values of and incomes from the properties they own, while mortgage REITs may be affected by the credit quality of the mortgage loans they hold. REITs are also dependent on specialized management skills, which may affect their ability to generate cash flow for operating purposes and to pay distributions. Additionally, REITs may have limited diversification and are subject to the risks associated with obtaining financing for real property.

*Unrated Investment Risk* — In determining whether an unrated security is an appropriate investment for an account, Tradewinds will seek to determine whether the default probability and financial strength characteristics of the security are comparable to those of issuers of securities rated investment grade quality. Tradewinds will consider information from industry sources, as well as its own quantitative and qualitative analysis, in making such a determination. However, such a determination by the manager is not the equivalent of an investment grade rating by a rating agency.

### International Risks

*Correlation Risk* — The U.S. and non-U.S. equity markets often rise and fall at different times or by different amounts due to economic or other developments particular to a given country or region. This phenomenon would tend to lower the overall price volatility of an account that included both U.S. and non-U.S. stocks. Sometimes, however, global trends will cause the U.S. and non-U.S. markets to move in the same direction, reducing or eliminating the risk reduction benefit of international investing.

*Emerging Markets Risk* — Investing in emerging markets generally involves exposure to economic structures that are less diverse and mature, and to political systems that are less stable, than those of developed countries. In addition, issuers in emerging markets typically are subject to a greater degree of change in earnings and business prospects than are companies in developed markets.

*International Investing Risk* — Investing in securities or issuers in markets other than the United States involves risks not typically associated with U.S. investing, such as currency risk, risks of trading in foreign securities markets, political and economic risks and correlation risk.

*Currency Risk* — Because the non-U.S. securities in which the accounts may invest, with the exception of depositary receipts, generally trade in currencies other than the U.S. dollar, changes in currency exchange rates will affect the account's value, the value of dividends and interest earned, and gains and losses realized on the sale of securities. A



strong U.S. dollar relative to these other currencies will adversely affect the value of an account. Depositary receipts are also subject to currency risk.

*Non-U.S. Securities Market Risk* — Securities of many non-U.S. companies may be less liquid and their prices more volatile than securities of comparable U.S. companies. Securities of companies traded in many countries outside the U.S., particularly emerging markets countries, may be subject to further risks due to the inexperience of local investment professionals and financial institutions, the possibility of permanent or temporary termination of trading, and greater spreads between bid and asked prices for securities. In addition, non-U.S. stock exchanges and investment professionals are subject to less governmental regulation, and commissions may be higher than in the United States. Also, there may be delays in the settlement of non-U.S. stock exchange transactions.

*Political and Economic Risks* — International investing is subject to the risk of political, social, or economic instability in the country of the issuer of a security, the difficulty of predicting international trade patterns, the possibility of the imposition of exchange controls, expropriation, limits on removal of currency or other assets, and nationalization of assets.

Additionally, an account's income from non-U.S. issuers may be subject to non-U.S. withholding taxes. Dividends may be paid on some DRs and ORDs and many non-U.S. countries impose dividend withholding taxes up to 30%. Depending on a custodian's ability to reclaim any withheld foreign taxes on dividends, taxable portfolios may be able to recoup a portion of these taxes by use of the foreign tax credit. However, tax-exempt portfolios, to the extent they pay any foreign withholding taxes, may not be able to utilize the foreign tax credit and therefore may be unable to recover any foreign taxes withheld on dividends of DRs or ORDs.

Non-U.S. issuers generally are not subject to uniform accounting, auditing, and financial reporting standards or to other regulatory requirements that apply to U.S. companies; therefore, less information may be available to investors concerning non-U.S. issuers. In addition, some countries restrict to varying degrees foreign investment in their securities markets. These restrictions lay limit or preclude investment in certain countries or may increase the cost of investments.

The above risks may be particularly significant in emerging markets countries. To the extent an account invests in depositary receipts, an account will be subject to the same risks as when investing directly in non-U.S. securities.

### **Specific Security Risks**

Tradewinds' investment strategies frequently specify investment in non-U.S. securities, and where there are no restrictions against them, non-U.S. securities may be purchased for client accounts. Non-U.S. securities may be purchased as American Depositary Receipts (ADRs), American Depositary Shares (ADSs), European Depositary Receipts (EDRs), Global Depositary Receipts (GDRs) that trade on U.S. exchanges, ordinary

shares of non-U.S. companies that trade on a foreign exchange (ORDs), or foreign shares (F Shares) in the case of Thai companies. Non-U.S. securities offer different risks from domestic equities. Not all non-U.S. issuers have their securities available through a Depositary Receipt format. Thus, clients selecting an “ADR only” portfolio may have reduced exposure to the range of available international investment opportunities. For ADR only portfolios, in order to obtain a better execution than available on U.S. markets, Tradewinds frequently purchases ORDs in foreign markets and then arranges for the ORDs to be converted to ADRs or for a sale, arranges for the ADRs to be converted to ORDs and then sells the ORDs in foreign markets. In this situation, client portfolios may pay a conversion fee in addition to standard brokerage commissions or fees.

Certain accounts may invest either exclusively or partially in equity securities of companies located in emerging or developing countries or listed on those countries’ markets. Investing in certain emerging countries may not be feasible or may involve unacceptable political risks. Emerging markets securities pose greater liquidity risks and other risks than securities of companies located in developed countries and traded in more established markets.

Investment in securities of non-U.S. and emerging markets issuers and in non-U.S. and emerging markets branches of domestic banks involves somewhat different investment risks than those affecting obligations of U.S. issuers. Public information may be limited with respect to non-U.S. and emerging markets issuers; non-U.S. and emerging markets issuers may not be subject to uniform accounting, auditing and financial standards and requirements comparable to those applicable to U.S. companies. There may also be less government supervision and regulation of non-U.S. and emerging markets securities exchanges, and brokers and listed companies than in the U.S. Many foreign and emerging markets securities have substantially less volume than U.S. national securities exchanges, and securities of some non-U.S. and emerging markets issuers are less liquid and more volatile than securities of comparable domestic issuers.

Dividends and interest paid by non-U.S. and emerging markets issuers may be subject to withholding and other foreign taxes, which may decrease the net return on these investments. These taxes typically range from 15-25% and under some circumstances may not be refundable. Non-U.S. markets often have different clearance and settlement procedures for securities transactions, and in some markets there have been times when settlements have been unable to keep pace with the volume of transactions, making it difficult to conduct transactions. Satisfactory custodial services may not be available in some emerging markets, which may result in additional costs and delays in the transportation and custody of such securities. Additional risks include future political and economic developments, the possibility that a non-U.S. jurisdiction might impose or change withholding taxes on income payable with respect to non-U.S. and emerging markets securities, and the possible adoption of foreign governmental restrictions such as exchange controls.

Repatriation of investment income, capital and the proceeds of sales by non-U.S. investors may require governmental registration and/or approval in some emerging

countries. Clients could be adversely affected by delays in, or a refusal to grant, any required governmental registration or approval for such repatriation.

Some countries with emerging securities markets have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuation in inflation rates have had and may continue to have negative effects on the economies and securities markets of certain countries. Moreover, the economies of individual foreign or emerging countries may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, currency depreciation, capital reinvestment, resource self-sufficiency and balance of payments position. Further, the economies of non-U.S. or developing countries generally are heavily dependent upon international trade and, accordingly, have been, and may continue to be, adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been, and may continue to be, adversely affected by economic conditions in the countries with which they trade.

In any non-U.S. country, there is the possibility of nationalization, expropriation or confiscatory taxation, political changes, government regulation, social instability or diplomatic developments (including war) that could adversely affect the economies of such countries or the value of investments in those countries. In addition, it may be difficult to obtain and enforce a judgment in a court outside of the U.S.

Since the securities purchased in non-U.S. markets can be denominated or quoted in currencies other than the U.S. dollar, changes in foreign currency exchange rates may affect the value of these securities. Further, the client may incur costs in connection with conversions between various currencies. Thus, a dealer normally will offer to sell a foreign currency to a client of Tradewinds at one rate, while offering a lesser rate of exchange should the client desire immediately to resell that currency to the dealer. Some emerging market countries may have fixed or managed currencies that are not free-floating against the U.S. dollar. Further, certain currencies may not be traded internationally. Currency exchange-rate fluctuations affect the U.S. dollar-value of foreign holdings. Tradewinds does not generally hedge against changes in currency exchange rates. Tradewinds does not actively trade foreign currencies, and rather considers foreign exchange as part of its settlement activity. Tradewinds utilizes a third party foreign currency exchange vendor to facilitate foreign exchange conversions for non-restricted currencies. Tradewinds reviews reporting on non-restricted currencies provided by the third party foreign currency vendor as part of its Best Execution Committee review. Currencies may be restricted, for several reasons, including, but not limited to the lack of ability to freely trade on a non-U.S. exchange due to government restrictions. Restricted currencies are handled by the client's custodian, as is the repatriation of dividends and interest.

Investment by non-indigenous persons in certain non-U.S. or emerging country securities is restricted or controlled to varying degrees. These restrictions or controls may at times limit or preclude foreign investment in certain non-U.S. and emerging country securities

and increase the costs and expenses of doing so. Certain non-U.S. or emerging countries require governmental approval prior to investment by foreign persons, limit the amount of investment by foreign persons in a particular issuer, limit the investment by foreign persons only to a specific class of securities of an issuer that may have less advantageous rights than the classes available for purchase by domiciliaries of the countries and/or impose additional taxes on foreign investors. Certain non-U.S. or emerging countries may also restrict investment opportunities in issuers in industries deemed important to national interests. In order to purchase ORDs of companies located in certain foreign or emerging countries, the country may require each of Tradewinds' clients to register in the country, engage a local accounting or other professional firm and impose a registration fee.

In addition to the risks described above, trades on foreign exchanges may incur greater transaction charges than trades effected on U.S. exchanges. Some accounts may not be able to hold non-U.S. securities because of custodial limitations. Tradewinds may purchase ORDs in non-U.S. markets and arrange for these ordinary shares to be converted into DRs. Fees and costs associated with the conversion and purchase of DRs are typically included in the net price of the DR and borne by the purchasing account. Some portion of such costs may be attributable to research and brokerage services.

Tradewinds may invest in distressed convertible securities, subject to client guidelines, where Tradewinds believes that such securities are available at attractive prices. Such securities may be illiquid and difficult to liquidate in the event of a whole or partial redemption of a client's account. Clients who liquidate may have to wait a longer period to receive the proceeds from these investments than what otherwise might be the case for more liquid holdings.

Tradewinds may also invest in illiquid securities, including, but not limited to certain Rule 144As or other private placements. These securities may lack liquidity or a readily assessable market value. Tradewinds may also hold securities that become illiquid after purchase due to market or other conditions. Investments in illiquid securities may restrict Tradewinds' ability to dispose of investments in a timely fashion and for a fair price and may impede Tradewinds' ability to take advantage of market opportunities.

Tradewinds may purchase for clients debt secured by mortgages, deeds of trust on real property, debt securities issued by non-U.S. and supranational issuers, debt secured by loans, receivables, real estate, equipment and other assets.

Client portfolios may also invest in private placements. Private placements pose greater liquidity risks than publicly traded securities.

**ITEM 9: DISCIPLINARY INFORMATION**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of Tradewinds' advisory business or the integrity of its management.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **Broker-Dealer Registration**

Tradewinds is not registered, nor does it have a pending application to register, as a broker-dealer or a registered representative of a broker-dealer. Certain employees of Tradewinds are registered, or have an application pending to register, as registered representatives and associated persons of Nuveen Securities, LLC, Tradewinds' affiliated broker-dealer, to the extent necessary or appropriate to perform their job responsibilities.

### **Commodity Pool Operator, Commodity Trading Adviser, Futures Commission Merchant Registration**

Tradewinds is currently exempt from CFTC registration requirements.

### **Other Material Relationships**

As discussed above, Tradewinds is an indirect subsidiary of Nuveen. Nuveen is an indirect subsidiary of TIAA-CREF, a leading financial services provider. TIAA-CREF constitutes the ultimate principal owner of Tradewinds. For additional information on the TIAA-CREF ownership structure, please see Form ADV Part 1, Schedule B.

TIAA-CREF's business excluding Nuveen Investments includes various financial industry entities, including broker-dealers, investment companies, other investment advisers, commodity pool operators and/or commodity trading advisors, banking or thrift institutions, insurance companies or agencies, sponsors or syndicators of limited partnerships, and sponsors, general partners, or managing members of pooled investment vehicles.

TIAA-CREF is considered a "control person" of Tradewinds and TIAA-CREF's other financial industry entities may be considered related persons of Tradewinds under the Advisers Act and/or otherwise affiliated with Tradewinds under various other regulatory regimes including as applicable under the 1940 Act and the Employee Retirement Income Security Act of 1974 ("ERISA").

Neither TIAA-CREF nor its other affiliates have any material involvement in Tradewinds' day-to-day investment or voting determinations on behalf of clients. Tradewinds exercises its own independent investment and voting discretion in accordance with its investment philosophy, fiduciary duties and client guidelines.

As a registered investment adviser, Tradewinds provides investment advisory services to a variety of retail and institutional clients, including managing registered and unregistered funds, and utilizes a variety of investment strategies. At any given time, each of Tradewinds, on one hand, and TIAA-CREF and its other affiliates, on the other hand, will engage in their own respective commercial activities with a view toward advancing their own respective business interests. These activities and interests potentially include multiple advisory, transactional, financial, and other interests in securities, financial instruments and companies, and a wide variety of financial services activities.

Tradewinds is committed to putting the interests of its clients first and seeks to act in a manner consistent with its fiduciary and contractual obligations to its clients and applicable law. At times, Tradewinds may determine, in an exercise of its discretion, to limit or refrain from entering into certain transactions, for some or all clients, in order to seek to avoid a potential conflict of interest, or where the legal, regulatory, administrative or other costs associated with entering into the transaction are deemed by Tradewinds to outweigh the expected benefits. Further, certain regulatory and legal restrictions or limitations and internal policies (including those relating to the aggregation of different account holdings by Tradewinds and its affiliates) may restrict certain investment or voting activities of Tradewinds on behalf of its clients. For example, Tradewinds reserves the right to limit its investment or voting activities with respect to certain securities, issuers, regulated industries and non-U.S. markets where applicable laws or regulations would impose limits or burdens with respect to exceeding certain investment thresholds when aggregated with its affiliates.

To the extent permitted by the Advisers Act, the Company Act, ERISA, and other law, as applicable, Tradewinds may give advice, take action or refrain from acting in limiting purchases, selling existing investments, or otherwise restricting or limiting the exercise of rights, including voting rights, in the performance of its duties for certain client accounts that may differ from such advice or action, or the timing or nature of such advice or action, for other client accounts including, for example, for clients subject to one or more regulatory frameworks.

TIAA-CREF and its other affiliates, on one hand, and the Nuveen affiliates (including Tradewinds), on the other hand, may distribute, make referrals of, use or recommend investment products and services of the other (including funds and pooled investment vehicles, and managed account services), and may pay and receive fees and compensation in connection thereto. In particular, broker-dealers affiliated with each of TIAA-CREF and Nuveen act as a distributor with respect to and/or promote and provide marketing support to each other's proprietary mutual funds (i.e., Nuveen Funds and TIAA-CREF Funds), and broker-dealer associated persons are internally compensated for those activities. Further, sales personnel may provide referrals to affiliates in certain limited circumstances and such personnel may be internally compensated in connection with such activities. A potential conflict may exist with respect to such distribution, referrals, use or recommendation of products and services as a result of TIAA-CREF's indirect ownership of Nuveen and Tradewinds, which Tradewinds seeks to mitigate through disclosure in this Brochure.

Tradewinds is under common control with Gresham Investment Management, LLC ("Gresham"), Nuveen Asset Management, LLC ("NAM"), Nuveen Fund Advisors, LLC ("NFA"), Nuveen Investments Advisers, Inc. ("NIA"), NWQ Investment Management Company, LLC ("NWQ"), Santa Barbara Asset Management, LLC ("SBAM"), Symphony Asset Management LLC ("Symphony"), and Winslow Capital Management, LLC ("Winslow"), each an investment adviser registered with the SEC that provides services to individual and/or institutional clients (which may include registered investment companies and/or private investment funds). Tradewinds is also under common control with Nuveen Commodities Asset Management, LLC, a commodity pool

operator (“CPO”). Gresham is also a registered CPO and commodity trading advisor (“CTA”). NFA is also a registered CPO. Tradewinds is also under common control with Nuveen Investments Holdings, Inc., which performs administrative services for Tradewinds and certain affiliates. Tradewinds is also under common control with Nuveen Investments Canada Co., which markets certain investment advisory services of its affiliated investment advisers in Canada. Tradewinds is also under common control with Nuveen Global Investments Limited, an exempt CAD firm registered with the U.K. Financial Conduct Authority, which markets certain products and services of its affiliated investment advisers in certain jurisdictions outside the U.S. “Nuveen Investments” is sometimes used to refer collectively to the advisory businesses of Nuveen Investments, Inc. Tradewinds and its advisory affiliates maintain procedures (including certain information barriers) designed generally to provide for independent exercise of investment and voting power. Tradewinds’ arrangements with its affiliates may or may not be material to its advisory business at any particular time.

Tradewinds serves as sub-adviser to certain registered open and/or closed-end funds, branded as “Nuveen Funds,” for which its affiliate, NFA, serves as adviser. Tradewinds also serves as sub-adviser to other funds, including a series of products offered through one or more bank collective trusts under the Nuveen brand, and investment companies with variable capital incorporated with limited liability in Ireland and established as an umbrella fund with segregated liability between funds pursuant to the UCITS Regulations under the Nuveen brand.

Tradewinds is also under common control with Nuveen Securities, LLC, a registered broker-dealer. Certain employees of Tradewinds also may be associated with Nuveen Securities, LLC, and in that capacity may engage in marketing or selling activities with respect to shares or interests in affiliated Funds or private investment funds managed by Tradewinds or its related persons. To the extent that Tradewinds or its related persons invest client assets in an affiliated Fund, Tradewinds or its related persons may, depending on any legal requirements, waive investment advisory fees on the client assets invested in such Fund, credit the client account for the fees paid by the Fund to Tradewinds or Tradewinds’ related persons, avoid or limit the payment of duplicative fees to Tradewinds and its related persons through other means, or charge fees both at the Fund level and client account level. For certain accounts, including certain wrap and other program accounts, all or a portion of the account may be invested in certain securities or Funds issued, advised or subadvised by Tradewinds or its affiliates.

As stated above, Tradewinds has arrangements with certain of its affiliates under which Tradewinds may provide investment advisory (as adviser or sub-adviser) or other services to or for such affiliated adviser or its clients. Tradewinds or its clients may also receive such services from its affiliates.

To the extent permitted by applicable law, Tradewinds may delegate some or all of its responsibilities to one or more affiliates. Tradewinds’ affiliated advisers may likewise delegate some or all responsibilities to Tradewinds. To the extent that Tradewinds delegates investment management to affiliated investment advisers, Tradewinds and its affiliates retain a greater amount of the total fees than if Tradewinds had delegated to an



unaffiliated investment adviser. Accordingly, Tradewinds may have a potential conflict of interest in delegating to its affiliates. To address this conflict Tradewinds, or a related person, conducts periodic reviews of the affiliate.

Currently, Tradewinds has arrangements with Nuveen and certain of its affiliates under which such affiliates provide Tradewinds and other affiliates with sales and marketing, product development, operations, client service, legal and compliance, and administrative and other support services. Similar services may be available at a lower cost through an unaffiliated service provider.

### **Receipt of Compensation from Investment Advisers**

While Tradewinds does not recommend or select other investment advisers for its clients, Tradewinds may invest client assets in the Funds, to which Tradewinds provides investment advice or recommend that clients invest in shares or other interests in the Private Funds to which Tradewinds provide investment advice and from which Tradewinds and its affiliates receive advisory fees. Because Tradewinds may receive direct or indirect compensation from such investments, Tradewinds may have an incentive to recommend investments managed by or invest client assets with affiliated investment advisers or with its Private Funds. Due to the additional economic benefit to Tradewinds and its affiliates from such investments, a conflict of interest may exist. To the extent Tradewinds investment client assets in the Funds, Tradewinds typically does not cause the client to incur duplicative fees. Tradewinds does not use its investment discretion to place client assets in Tradewinds' Private Funds. Such clients are required to complete subscription agreements and qualify for such investments.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics**

Tradewinds is governed by Nuveen's Code of Ethics (the "Code"). The Code has been adopted in compliance with the requirements of Rule 204A-1 under the Advisers Act and Rule 17j-1 under the Company Act. The purpose of the Code is to demonstrate the firm's commitment to the highest legal and ethical standards and to provide guidance in understanding and fulfilling those responsibilities. In addition, the Code categorizes all full and part-time employees and certain other individuals as either access or investment persons (together "covered persons"). The Code is applicable to all covered persons.

Tradewinds strives at all times to conduct its investment advisory business in strict accordance with its fiduciary obligations, which include the duties of care, loyalty, honesty, and good faith. The Code sets forth standards of business conduct intended to reflect those fiduciary obligations and also requires covered persons to comply with applicable laws, rules, regulations, and policies. The Code specifically prohibits the misuse of material nonpublic information.

The Code also outlines policies and procedures designed to detect and address conflicts of interest whereby a covered person could potentially utilize knowledge about pending or currently considered securities transactions to benefit personally. As such, covered persons who wish to purchase or sell securities are required, with limited exceptions, to maintain brokerage accounts with select broker-dealers who provide automated, electronic reporting of transactions and account information to assist Tradewinds in the monitoring of employee transactions.

In addition, Tradewinds has adopted a supplement to the Code which is applicable to all Tradewinds covered persons. As outlined in Tradewinds' supplement, all Tradewinds investment persons, and certain other individuals, are prohibited from purchasing securities that are on Tradewinds' Restricted List. Included in this prohibition are all equivalent and/or related securities, based on issuer.

Prior to the purchasing or selling of any security, the Code requires covered persons to obtain pre-approval for all securities transactions which are not subject to a de minimis exception or which are not specifically exempted. The Code's de minimis exception does not apply to the purchases or sales of any securities subject to Tradewinds' supplemental policy.

Tradewinds supplemental policy also precludes research analysts and associates, exclusive of employees on the Tradewinds-Sector team, from transacting in securities of companies with a market capitalization over \$100 million in their assigned sector(s) unless prior consent is obtained from one of the Co-CIOs or the Director of Research. Tradewinds-Sector team members are required to seek pre-approval from the Tradewinds Executive Committee prior to transacting in securities of any company with a market capitalization over \$100 million.

Additional restrictions relating to short-term trading and prohibitions on purchases of initial public offerings are also defined in the Code and applicable to all covered persons.

Covered persons are required to comply with certain periodic reporting requirements and to certify they have read and will comply with the Code upon commencement of employment and annually thereafter. Employee reporting requirements and trading, as noted above, are monitored for adherence to the Code and any covered person who violates the code is subject to remedial actions.

A copy of the Code will be provided upon request to any client or prospective client.

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

Initially, and from time to time, employees of Tradewinds and its related persons may invest in Private Funds managed by Tradewinds or its related persons. Tradewinds or its related persons may also establish proprietary accounts, including seed capital accounts. Such investments may from time to time represent all, or a significant percentage, of the Private Fund or proprietary account's assets. In addition, Tradewinds or a related person may have a financial interest, including but not limited to the receipt of investment management and/or certain performance-based fees. As such, Tradewinds and its related persons may have a financial incentive to recommend certain Private Funds without regard to client suitability which would produce greater compensation and profit to Tradewinds or its related persons, and indirectly, to personnel of Tradewinds involved in decision-making for the accounts. Since Tradewinds solicits its clients to invest in the Private Funds an inherent conflict exists. Tradewinds does not use its investment discretion to place clients in Private Funds. Investors in the Private Funds are required to complete subscription agreements which are designed to determine the appropriateness of the investment for a prospective client. In addition, Private Funds and proprietary accounts often invest in the same securities and trade alongside client accounts. This creates a conflict if Tradewinds were to favor such accounts in the allocation of investment opportunities. As discussed in Item 6, Tradewinds maintains policies and procedures designed to treat all clients, including Private Funds and proprietary accounts, fairly when aggregating and allocating investment opportunities.

As noted above, employees of Tradewinds may invest in Private Funds or other commingled funds or accounts advised or sub-advised by Tradewinds, and Tradewinds may establish proprietary accounts including seed capital accounts. Although employees of Tradewinds may maintain a material position or percentage interest in such funds or accounts, and the interests of Tradewinds may represent all or a significant percentage of such proprietary accounts or seed accounts, the restrictions and/or prohibitions on securities transactions under the Code as set forth above do not apply in such instances to these funds or accounts. In order to address any conflict created or mitigate any associated risk under these circumstances, Tradewinds periodically reviews allocations of investment opportunities and sequencing of transactions for accounts participating in the block order and periodically compares the performance of such accounts.

Tradewinds provides investment advisory services to various clients which may differ from the advice given, or the timing and nature of the actions taken with respect to any one account, including proprietary or personal accounts, depending upon a variety of factors as discussed in Item 16. In addition, other factors such as market impact or liquidity constraints could result in one or more clients receiving less favorable trading results if Tradewinds were to implement an investment decision ahead of or contemporaneously with similar decisions for one set of clients ahead of other clients. As set forth above, Tradewinds maintains policies and procedures reasonably designed to ensure that all clients are treated fairly when aggregating and allocating investment opportunities. Likewise, Tradewinds provides non-discretionary investment advisory services to model-based program clients. Please refer to Item 12 for a discussion related to the conflicts and processes designed to treat all clients fairly.

Subject to the restrictions described above, and more explicitly described in the Code (as amended from time to time), Tradewinds and its employees may at any time hold, decrease, dispose of positions in investments in which a client account may have an interest from time to time. Tradewinds has no obligation to acquire for a client account a position in any investment which it, acting on behalf of another client, or an employee, may acquire, and the client accounts shall not have the right of first refusal, co-investment or other rights in respect of any such investment.

Tradewinds employees may be clients of Tradewinds. Tradewinds has a potential conflict of interest because it may seek to favor its employees over its other clients in the management of its account. Tradewinds addresses this conflict through the use of trade allocation procedures. Tradewinds may provide special services and/or provide services at no or reduced fees for certain employees and their family members (“employee accounts”) and others affiliated with the firm. Tradewinds has a potential conflict of interest because it may seek to favor employee accounts over its other clients. Tradewinds manages employee accounts in a manner consistent with Tradewinds’ fiduciary duty to its other clients. Tradewinds’ employee accounts or others affiliated with the firm shall not receive special trading advantages or disadvantages. Please refer to Item 12 for additional information.

Tradewinds’ participation in the valuation of securities held in client accounts may result in additional compensation paid to Tradewinds. Additionally, trade error resolution could create a conflict if Tradewinds seeks to resolve errors to its economic benefit by not acknowledging the error, failing to fully compensate the client for the error, or by keeping any gain due to the client. For a discussion of valuation conflicts and Tradewinds’ policies and procedures, please refer to the Additional Information section. For a summary of Tradewinds’ trade error policies and procedures, please refer to Item 12.

Employees may be offered or receive gifts and entertainment from parties with whom Tradewinds conducts business. Receipt of gifts and entertainment from clients, consultants or broker-dealers may inappropriately influence investment or trading decisions. Similarly, the giving of gifts and entertainment may inappropriately influence a prospect, client, consultant or broker-dealer in an effort to gain an unfair advantage in acquiring or retaining clients. Employees are subject to certain limitations regarding the

receipt/giving of gifts and other benefits in the form of entertainment from parties with whom Tradewinds conducts business.

Similarly, employees may from time to time make political contributions. The inappropriate influencing of a prospect or client in an effort to gain an unfair advantage in acquiring or retaining clients creates a conflict of interest. Tradewinds has established procedures to comply, at a minimum, with federal law. In addition, all applicable contributions require preclearance and employees are required to certify on a quarterly basis that they have reported all applicable monetary or in-kind political contributions and that the contributions met certain standards.

Tradewinds is cognizant that an employee's personal activities may give rise to a potential conflict of interest if the employee's personal interests are inappropriately placed before Tradewinds' clients or Tradewinds. As such, Tradewinds prohibits service on publicly traded company boards without prior approval from Legal and Compliance. In addition, permission is required to participate in certain outside business activities. If it appears that any such activity conflicts with, or may reasonably be anticipated to conflict with, the interests of any Tradewinds' client or Tradewinds, the employee may be prohibited from participating or be required to discontinue the activity.

## **ITEM 12: BROKERAGE PRACTICES**

### **Broker-Dealer Selection**

In determining the broker-dealers through which to place securities transactions for client accounts, Tradewinds' policy is to seek the best execution of orders at the most favorable price in light of the overall quality of brokerage and research services provided. When a client has given Tradewinds brokerage discretion, there is no restriction on the brokers Tradewinds may select to execute the client's transactions. These accounts are referred to as "Discretionary Brokerage Accounts." In selecting broker-dealers to execute transactions, the determination of what is expected to result in best execution at the most favorable price involves a number of factors, including, but not limited to, the nature of the security being traded, the size and timing of the transaction, the activity existing and expected in the market for the particular security, the likelihood of price improvement, the speed of execution, and the ability to minimize market impact. In addition, Tradewinds considers the broker-dealer's financial responsibility (including willingness to commit capital), its responsiveness and operational capabilities (including block trading and step-out capability as well as clearance and settlement), and its maintenance of the confidentiality of orders. Further, Tradewinds considers the value, nature and quality of the research services provided. The determinative factor is not the lowest possible commission cost, but whether the transaction represents the best qualitative execution under the circumstances. Subject to the satisfaction of its obligation to seek best execution, Tradewinds may also consider a broker-dealer's access to initial public offerings ("IPOs") and secondary offerings.

As a result of any or a combination of the above factors, transactions will not always be executed at the lowest available price, commission, and/or mark-up/mark-down, but will be within a generally competitive range as Tradewinds does not adhere to any rigid formula in making the selection of any particular broker-dealer, but weighs a combination of the preceding and, potentially, other factors. Additionally, as described in greater detail below, Tradewinds may determine to pay up for research and brokerage services, to the extent Tradewinds determines in good faith that such research and brokerage services fall within the definition of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"); the research and brokerage services provide appropriate and lawful assistance in the investment decision-making process; and the commission paid is reasonable in relation to the research and brokerage services provided.

In considering the aforementioned factors used to determine what is expected to result in best execution, Tradewinds will endeavor to prioritize those factors it believes to be appropriate for particular transactions to achieve best execution on a consistent basis. Best execution, however, shall be evaluated based on transactions over an extended period of time on an overall basis.

Fixed income securities may be purchased from the issuer or primary market-maker acting as principal for the securities on a net basis, with no brokerage commissions being paid by the client, although the price usually includes certain undisclosed compensation to the dealer. Rather than purchasing from a broker-dealer on a principal basis, in certain

circumstances consistent with its responsibilities in seeking best execution, Tradewinds may engage a broker-dealer to act as agent (for which such broker-dealer may be paid a negotiated commission or mark-up) in purchasing fixed-income securities for client accounts. Securities also may be purchased from underwriters at prices that include underwriting fees.

Tradewinds has established a Best Execution Committee that has oversight and policy making responsibility for Tradewinds' brokerage practices. Committee membership includes senior management and representatives from trading, portfolio management, research, and legal and compliance. The Committee meets quarterly or more frequently as needed.

Tradewinds places orders through financial firms that may use, offer or include products or services of Tradewinds or its affiliates. Tradewinds does not take into account such business arrangements when selecting firms through whom orders are placed.

In addition, Tradewinds may receive various data services, including file download and on-line services, free of charge from banks and brokerage firms that act as custodians of client assets. Tradewinds does not consider these services during the broker selection process. Tradewinds will not compensate any broker either directly or indirectly by directing brokerage transactions for consideration of the aforementioned services.

#### Managed Account and Wrap Fee Arrangements

As more fully described under Tradewinds' description of its advisory business which is located in Item 4, Managed Account Program clients enter into Managed Account Program agreements with a Program Sponsor for fully bundled arrangements or for partially bundled arrangements.

Because transaction costs for trades executed by the Program Sponsor under both arrangements are included in the client's fee, Tradewinds does not negotiate brokerage commissions with Program Sponsors. To the extent that Tradewinds effects a transaction with a Program Sponsor or affiliated broker-dealer with which the client has a fully or partially bundled arrangement, the client does not pay commissions on equity transactions with such firm and a portion of the single fee is considered to be in lieu of brokerage commissions. In connection with such arrangements, Tradewinds may use the specified brokerage firm, although when permitted by the Program Sponsor and when it deems appropriate to do so, Tradewinds typically directs a substantial portion of trades away from the specified brokerage firm for purposes of order aggregation, as it believes doing so will help Tradewinds achieve best execution measured over time. See Item 4 above for additional information. However, when Tradewinds places client trades with another firm, the client will typically incur trading costs including for example, brokerage commissions, mark-up or mark-downs, or other transaction fees, in addition to the bundled fee charged by the Program Sponsor. In addition, a Program Sponsor may charge additional fees for settling step-out transactions (see below for a description of step-out

transactions). For additional information about fees and expenses relating to Managed Account Programs, please refer to Item 5.

A client should evaluate whether a particular Managed Account Program is suitable for his or her needs in light of the program fee, the package of services provided, the amount of portfolio activity in the account, and the value of custodial and portfolio monitoring services provided. The bundled fee may be higher or lower than the total cost of all the services if the client were able to obtain and pay for each service separately.

#### Step-Out Transactions

A step-out transaction is one in which Tradewinds places the order for a transaction for one or more client accounts with a broker-dealer (the “Execution Broker”) who executes the trade and then steps it out to the Directed Broker (as defined herein below) for clearance and settlement.

In certain cases, the Execution Broker executes the trade for the Directed Brokerage Accounts or Managed Accounts that permit step-out transactions without a commission for reasons which may include that the customer on the opposite side of the transaction pays a commission, or in order to obtain the order flow, or for other reasons. Tradewinds may include Discretionary Brokerage Accounts in a step-out transaction, and, as a result, the Execution Broker may receive commissions from the Discretionary Brokerage Accounts. Alternatively, Tradewinds may pay a mark-up/mark-down, in which case the Execution Broker will be compensated by all accounts participating in the block. In such cases, mark-ups shall be in line with the standard execution rate. In determining whether to include Discretionary Brokerage Accounts along with Directed Brokerage Accounts or Managed Accounts in a step-out transaction, Tradewinds will consider the size, among other factors, expected market impact and liquidity of the trade.

Although Tradewinds does not believe there is any adverse impact to Discretionary Brokerage Accounts participating in step-out transactions, it is possible the commission rate Tradewinds negotiates for Discretionary Brokerage Accounts in a step-out transaction might be lower if the block did not include Directed Brokerage Accounts. On the other hand, if the Directed Brokerage Accounts were not included in the step-out transaction, Tradewinds might not be able to obtain as favorable a price because the size of the block order would be substantially reduced. Another benefit of “blocking” orders is to limit market impact by reducing the number of buyers (or sellers) in the marketplace as a result of our investment decision, for example, if the order were split up and sent back to each client’s Directed Broker, there would appear to be many buyers (or sellers) in the marketplace, which may adversely impact price. Tradewinds also considers anonymity when placing trades, and believes aggregating transactions into block orders can help achieve this. Thus, on balance, Tradewinds believes that combining Discretionary Brokerage Accounts and Directed Brokerage Accounts in one block order benefits both the Discretionary Brokerage Accounts and the Directed Brokerage Accounts because the size of the block order can result in a better execution for all accounts.



Notwithstanding the above, in considering size, expected market impact and liquidity, Tradewinds may place trades back through each respective Program Sponsor trading desk when it determines such trades to be de minimis, or when otherwise deemed appropriate to do so.

The broker shown on the confirmation for a step-out transaction for a Directed Brokerage Account is not the Execution Broker (the firm that executed the transaction) but the Directed Broker. The price shown on the confirmation may be shown “net,” meaning that it includes a mark-up/mark-down or other service fee charged by the Execution Broker for executing the transaction. The amount of this mark-down/mark-up or service fee is not shown on the confirmation (for example, a security that costs \$10 per share with a two (2) cent per share mark-up or service fee will be shown as costing \$10.02 per share). The Directed Broker receives the compensation, if any, shown on the confirmation. This compensation is at the commission rate or wrap fee the client has negotiated.

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

Tradewinds may use a broker that charges more than the lowest available commission when Tradewinds determines in good faith that the amount of the commission is reasonable in relation to the value of the brokerage and research services provided by the executing broker (a practice commonly referred to as “paying up”). Consistent with its obligation to seek best execution, and in accordance with Section 28(e), Tradewinds may consider the research and brokerage services capabilities of various brokerage firms, including the reputation and standing of their analyses and their investment strategies, timely accuracy of statistical information, and idea generation when selecting brokers to execute client transactions. Tradewinds is in effect paying for the brokerage and research products and services with client commissions, so-called “soft dollars.”

Tradewinds receives and pays for research products and services in a variety of manners. Broker-dealers provide proprietary products or services directly to Tradewinds. In addition, in certain instances, broker-dealers may provide research services directly to Tradewinds which have been created by an affiliate of the broker-dealer or an independent third-party (so-called “co-branded” research). From time to time, Tradewinds may receive research from broker-dealers that have traditionally provided only execution services to Tradewinds. In these instances Tradewinds considers such research to be incidental and pays what it believes to be an execution commission rate for such services. Tradewinds also may receive brokerage and research services from broker-dealers in connection with certain “eligible riskless principal transactions.” In connection with research or brokerage services for which Tradewinds pays a bundled rate, Tradewinds may be unable to separately quantify or estimate the value of any such services with any meaningful degree of accuracy. However, the primary institutions from which Tradewinds received such services for the calendar year ending December 31, 2014 include CS First Boston, UBS, Macquarie, Morgan Stanley, JP Morgan Securities, Barclays Capital, Scotia Capital, HSBC, Bank of America/Merrill Lynch and CLSA Caylon. Please contact your account representative should you wish a complete list of brokers from which Tradewinds received such research services.

Tradewinds may also request an executing broker to allocate a portion of commissions to a pool of commission credits maintained by the executing broker or by a commission manager from which the executing broker or commission manager, at Tradewinds' direction, pays independent research providers and/or other broker-dealers for research products and services ("Commission Sharing Arrangements"). Commission Sharing Arrangements may be used to pay for both proprietary and third party research products and services which may include market data services or other services permitted under Section 28(e). Tradewinds believes Commission Sharing Arrangements can provide additional flexibility in helping Tradewinds select executing brokers regardless of whether or not such broker prepares or develops the research products and services Tradewinds uses. Accordingly, rather than paying a broker for its research by trading with it directly, Tradewinds may direct the execution broker or commission manager to pay the research provider from the pool of commission credits accumulated. Tradewinds does not allocate soft dollars to broker dealers in exchange for so-called "mixed use" products or services. In 2014, Tradewinds participated in Commission Sharing Arrangements with Citigroup Global Markets, Instinet, LLC, JP Morgan Securities and Liquidnet, Inc.

Additionally, Tradewinds may pay directly for third-party research services provided by firms that are not broker-dealers.

When Tradewinds uses client brokerage commissions to obtain research or other products or services, it receives a benefit because it does not have to produce or pay for the products or services. In using client commissions to obtain research or other products or services, Tradewinds is obligated in good faith to determine that the commissions paid to broker-dealers are reasonable in relation to the value of brokerage and research or other products or services received, that the receipt of such research or other products or services is in accordance with the standards of Section 28(e), and that such benefits are consistent with Tradewinds' duty to seek best execution. The research products and services which Tradewinds receives generally consist of research reports or advice from the broker's analysts regarding specific companies, industries or general economic conditions, and may include meetings with management of portfolio companies or companies under consideration for purchase. The research products and services may also include economic analysis and forecasts, financial market analysis and forecasts, industry and company specific analysis, interest rate forecasts, arbitrage relative valuation analysis of various debt securities, analysis of U.S. Treasury securities, research-dedicated computer software and related consulting services, market data services and other services that assist in the investment decision-making process. Research products and services are received primarily in the form of written reports, computer-generated services, telephone contacts and personal meetings with securities analysts. Research services also may be provided in the form of meetings arranged by broker-dealers with corporate management teams and spokespersons, as well as industry spokespersons.

As a general matter, the brokerage and research products and services that Tradewinds receives from broker-dealers are used to service all of Tradewinds advisory accounts. However, any particular brokerage and research product or service may be used to service fewer than all advisory accounts, and may not benefit the particular account(s)

that generated the brokerage commissions used to acquire the product or service. For example, equity commissions are used for brokerage and research products and services utilized in managing fixed income securities in certain accounts. In addition, accounts that do not generate any commissions used to acquire brokerage and research products and services will benefit from those that do. For example, Tradewinds generally obtains research and brokerage services only with respect to transactions for Discretionary Brokerage Accounts (and not with respect to directed brokerage transactions for Directed Brokerage Accounts (as defined herein) and Managed Accounts). However, Tradewinds uses the benefits of the research and brokerage services in providing advisory services to Discretionary Brokerage Accounts, Directed Brokerage Accounts and Managed Accounts. Certain client accounts may prohibit the use of commissions to obtain research products and services. In addition, certain non-U.S. jurisdictions impose different legal requirements with regard to the use of client commissions in exchange for research products and services or with regard to Commission Sharing Arrangements. Tradewinds does not attempt to allocate the relative costs or benefits of brokerage and research services among client accounts because it believes that, in aggregate, the brokerage and research services it receives benefits clients and assists Tradewinds in fulfilling its overall duties to its clients.

On a semi-annual basis, or more frequently as needed, Tradewinds reviews the amount and nature of the brokerage and research products and services discussed above, as well as the extent to which such services are relied upon, and sets informal total targets for the broker-dealers on the basis of such considerations. The Best Execution Committee reviews this analysis, the targets, and any adjustments in the targets with input from its portfolio managers, traders, and analysts. The actual brokerage business allocated to a particular broker-dealer may be more or less than the informal target. Tradewinds does not make binding commitments regarding the level of brokerage commissions it will allocate to a broker-dealer. In certain instances, Tradewinds may pay hard dollars directly to a broker for products or services; however, Tradewinds does not commit to pay hard dollars directly to the vendor of a product or service if the informal targets are not met. Receipt of products or services other than brokerage or research is not a factor in allocating brokerage.

The brokerage and research products and services that Tradewinds receives from broker-dealers supplement Tradewinds' own research activities. As a practical matter, in some cases Tradewinds could not, on its own, generate all of the research that broker-dealers provide without materially increasing expenses. Soft dollar arrangements create a potential conflict by possibly giving an investment adviser an incentive to trade frequently to generate commissions to pay for these products or services, which may not be in the best interests of an adviser's clients, or, in some cases, to trade actively in certain accounts to obtain research used primarily by other, less frequently traded accounts. Tradewinds attempts to mitigate these potential conflicts through oversight of the use of commissions by the Best Execution Committee.

## **Brokerage for Client Referrals**

Tradewinds does not consider any client referrals it or a related person receives when selecting or recommending broker-dealers.

## **Directed Brokerage**

Some clients direct Tradewinds to use a particular brokerage firm (“Directed Broker”) for some or all of the clients’ transactions. Generally, these directions are provided by clients for one of three reasons: (1) the client has entered into a commission recapture arrangement with the Directed Broker; (2) the individual broker has referred the client to Tradewinds; or (3) the client’s custodial arrangements and brokerage are being provided by the Directed Broker or its affiliate. All of these types of accounts are referred to as “Directed Brokerage Accounts.”

*Commission Recapture Arrangements.* In recapture arrangements, the client and the broker may negotiate the commission rate and the amount of the brokerage commission that the broker will use to offset hard dollar costs, usually for consulting services, that the client would otherwise pay. In the absence of a negotiated rate, Tradewinds applies its standard rates.

*Referred Brokerage Arrangements.* When a broker refers a client to Tradewinds and the client wants to retain that broker, the client and the broker negotiate the commission rate. This negotiation may or may not take into account additional services the broker offers, such as custody as noted below.

*Custodian Brokerage Arrangements.* In this arrangement, the client and the broker negotiate the commission rate which includes custodial services at the Directed Broker and/or affiliated custodian.

As described in the “Step-Out Transactions” section above, Tradewinds may use step-out transactions to satisfy such client requests for directed brokerage. In such instances, Tradewinds may aggregate transactions for clients with directed brokerage along with transactions for Discretionary Brokerage accounts, and instruct the Execution Broker to arrange for the Directed Broker to handle clearance and settlement of the transaction for the directed brokerage portion of an aggregated trade. In such instances, the clients with the directed brokerage arrangements shall be assessed a commission only by their Directed Broker who clears and settles the transaction; and the Execution Broker receives compensation from commissions with respect only to the portion of the aggregated trade that was not stepped out to the Directed Broker, or compensation from a mark-up on the entire block.

## **Partial Direction**

Clients may instruct Tradewinds to direct a portion of their trades to a specific broker-dealer for purposes of the directed broker obtaining a certain level of commissions. In order to satisfy such instructions, Tradewinds typically will place trades that result from cash flows into or out of the client’s account through the directed broker and the client’s

account will either pay the commission rate that the client has independently negotiated with the directed broker or in the absence of an independently negotiated rate, the client will pay our standard rates. Alternatively, from time to time, Tradewinds may endeavor to aggregate the directed brokerage order with non-directed brokerage orders for execution and then step out the trade to the directed broker for clearance and settlement. This arrangement facilitates two purposes. First, a step-out allows the directed broker to receive the commissions. Second, aggregation of directed brokerage orders with non-directed orders allows directed brokerage clients to participate on the same terms and conditions as other non-directed brokerage clients

#### Broker Custodied Arrangements

Clients who have negotiated custodial arrangements with their Directed Broker will be precluded from having trades executed through their Directed Broker's affiliate, to the extent Tradewinds has been made aware of such affiliation. In such instances, if Tradewinds places an aggregated trade with a Directed Broker's affiliate, such accounts will not be able to participate in the aggregated trade. Such accounts' place in the rotation, if applicable, may change and/or such trades may be placed at the end of an order.

Furthermore, client accounts, whose Program Sponsor or affiliate is a member of the underwriting syndicate of a Public Offering, as defined below, typically do not participate in aggregated trades of the offering with the member or affiliate. Orders for such accounts would typically be placed in the secondary market.

Clients are encouraged to speak with their Program Sponsor to determine if these restrictions apply to their account.

#### Limitations of Directed Brokerage

While Tradewinds seeks to aggregate clients' transactions, it may not be able to do so in all situations. As a result, the client may pay a higher commission or receive a less favorable price for a security than if Tradewinds had discretion to choose the broker or aggregate trades with other clients. Certain clients who participate in such block trades are charged different commission rates and may pay or receive different prices for a security. Therefore, a client in directing Tradewinds to use a particular broker should consider whether such direction may result in certain costs or disadvantages to the client.

As noted above, when a client asks Tradewinds to direct trades through a specific broker, the broker may provide the client with certain additional services, such as custody, consulting or other services or products, and all or a portion of the directed transaction costs (commission rates and/or minimum ticket charges or other charges) may be used to pay for such services. Tradewinds does not generally have complete information regarding the terms of such arrangements, and the client is responsible for regularly monitoring the quantity, quality and value of services provided for the three types of arrangements defined above and determining that the arrangement continues to be in its best interest.

Although transaction costs are only one component of a best execution analysis, many directed brokerage accounts pay effective rates of commissions that are higher than client accounts that do not have directed brokerage arrangements. Other broker-dealers may provide additional services at a lower cost. As such, Tradewinds cannot ensure in any given transaction with the directed broker that it will be able to obtain the lowest overall cost for the client's account.

Tradewinds may be in a better position to negotiate transaction commissions if brokerage were not directed by a client to a particular broker. Thus, the brokerage commission under a directed brokerage arrangement may be in excess of commissions which could be obtained from another brokerage firm and higher than other Tradewinds clients may pay. A client who directs Tradewinds to use a particular broker, even one who provides additional services such as custody, should consider whether commission expenses, execution, clearance and settlement charges are comparable to those otherwise obtainable by Tradewinds.

Moreover, conflicts of interest may exist under directed brokerage arrangements for Tradewinds when its client directs brokerage to a Program Sponsor who refers clients to Tradewinds by creating an incentive for Tradewinds to place more trades with the broker referring clients without consideration of best execution.

### **Aggregation of Trades**

Tradewinds endeavors to treat all advisory accounts fairly and equitably when placing client orders for execution. However, from time to time, conflicts exist in the placement of orders among various client mandates. In instances when the same security is traded at or about the same time on the institutional trading desk, Tradewinds will rotate the placement of orders in groupings based on whether or not Tradewinds has discretion over the placement of such orders. Specifically, Tradewinds follows a "discretionary" and "non-discretionary" trade rotation (hereinafter "the Discretionary Rotation" and the "Non-Discretionary Rotation," respectively). In this context, discretion is defined as whether or not Tradewinds has the responsibility for placing trades on behalf of its clients. The Discretionary Rotation includes institutional account clients, fully bundled wrap program clients, as well as dual contract clients that pay either a bundled or unbundled fee. The Non-Discretionary Rotation comprises model-based managed account programs. The Non-Discretionary Rotation will generally trade after the Discretionary Rotation as model-based program sponsors have opted to internalize trading responsibility and thus not be part of Tradewinds' trading process. Specifically, Tradewinds will generally provide its model portfolio to such sponsors after it has completed trading on behalf of its discretionary clients. As a result, model-based managed account program clients will experience sequencing delays which may, in certain circumstances, impact a security's price positively or negatively (if at all), depending upon, among other things, market volume, security type, and trading frequency.

Tradewinds typically seeks to combine orders for multiple client accounts so as to limit the market impact of Tradewinds' orders, to seek price improvement on trading larger

blocks of securities and to minimize dispersion across all client accounts. Combining orders may limit market impact by reducing the number of buyers (or sellers) in the marketplace as a result of our investment decision, *e.g.*, if the order were split up and sent back to each client's Directed Broker, there would appear to be many buyers (or sellers) in the marketplace, which may adversely impact price. Tradewinds also considers anonymity when placing trades and believes aggregating transactions into block orders helps achieve this.

With respect to transactions resulting from cash flows, liquidations and/or terminations, to the extent a number of clients direct us to liquidate some or all of the securities in their accounts, depending upon the timing of receipt of the orders by the trade desk, Tradewinds generally attempts to aggregate all orders received on the same day together with any prior received or subsequent open orders. With respect to liquidations and/or terminations, Tradewinds generally seeks to allocate the completed portion of the order across all participating accounts on a pro rata basis. On the following day, the remainder of an aggregated order is merged with any liquidation/termination requests received that day. By merging orders, Tradewinds seeks to treat all clients fairly and equitably.

In determining the timing of trades and selection of brokers for a specific trade, Tradewinds' traders may take into account factors including, but not limited to: the relative size of the orders, the prevailing market conditions, the characteristics of the orders, the liquidity of the security being traded, the proprietary research services provided by the brokerage firm, the firm's execution capability, the commission rate, and the firm's financial responsibility, responsiveness, and operational efficiency. As a result, one order may be completed before the other order, and the price that client accounts in the second or subsequent orders receive may be materially less favorable than the price received by client accounts in the first order. The reporting requirements in certain non-U.S. jurisdictions or contractual or legal obligations to certain clients or third parties may result in Tradewinds' placing two or more orders for the same security for different clients at the same time or about the same time with the same or different brokerage firms.

Typically, barring any regulatory or Directed Broker constraints, Tradewinds steps out the aggregated orders to one or more brokers in a series of Step-Out transactions. Generally, Tradewinds requests each Execution Broker to average the price of all of that broker's executions during a day so that each participating account with that broker obtains the same price. However, the prices for each aggregated transaction in the same security with the same broker on a single day may be different. Accounts in an aggregated transaction pay the same commission per share unless the client has directed its brokerage to a particular broker or otherwise has a contractual or jurisdictional consideration. In those situations, the clients may pay different commissions.

In instances where Tradewinds determines it is in the best interest of its clients to do so, it may aggregate transactions in the same security for Institutional Accounts together with transactions for Managed Accounts. In determining whether to aggregate transactions for Institutional Accounts along with transactions for Managed Accounts or to direct such Managed Account transactions back through each respective Program Sponsor trading

desk, Tradewinds will consider the de minimis nature of the trade including, but not limited to the size (share quantity); expected market impact (price); and liquidity (volume as measured by the average daily trading volume). Tradewinds may be unable to complete all aggregated orders in one transaction. See Allocation of Partially Filled Orders below for more information.

Where Tradewinds aggregates Institutional Account and Managed Account transactions, Managed Account clients may incur transaction costs and other charges in addition to their wrap fee. Such charges may include mark-ups or mark-downs or other transaction fees. In certain instances, Institutional Accounts with discretionary brokerage may pay mark-ups or mark-downs in lieu of commission charges. Some broker-dealers serving as custodian may charge fees for settling transactions executed through unaffiliated broker-dealers.

In the event Tradewinds determines not to aggregate all orders in the same securities for Institutional Accounts with Managed Account orders, and determines to place such transactions back through each respective Program Sponsor trading desk, Tradewinds may elect to follow a trading sequence as amongst the Managed Account sponsors. Similarly, Tradewinds may determine a trading sequence is necessary in certain instances for Institutional Accounts with mandatory or partial brokerage direction. In determining whether a trading sequence is necessary in such instances, Tradewinds considers the same factors noted above (size, expected market impact and liquidity).

Tradewinds may be unable to aggregate transactions for client accounts based on client-driven investment policies or restrictions, or based on Managed Account sponsor or custodial constraints; including but not limited to affiliate trading-related restrictions. Orders for such accounts could be delayed, placed first, placed last and/or placed in the relevant rotation, if one exists. Transactions for accounts that have provided direction to Tradewinds to trade with a particular broker at a zero commission or negotiated commission rate (either Managed Accounts or Institutional Accounts), that are deemed by Tradewinds to be de minimis as described above, may at Tradewinds' discretion be placed first, in the middle of or at the end of the rest of the order. As a result, these accounts may receive prices that are better, worse or similar to the other accounts.

Tradewinds may divide accounts into trading sub-groups by instrument type when it deems appropriate, as follows: (1) accounts that receive depositary receipts; and (2) accounts that receive local shares. Similarly, Tradewinds may utilize trading subgroups where a security trades in multiple lines (*e.g.*, a local share and a participatory note, or a 144A line and a "Reg S" line, etc.). Tradewinds randomly rotates the sequence of trading between such sub-groups. Generally, trading of one sub-group begins upon completion of the previous sub-group. Tradewinds may elect to trade a sub-group before the other sub-group regardless of the set rotation in certain instances, including for example, when there is a liquidity event available (*e.g.*, by virtue of access to certain trading networks), or if the local market is closed and Tradewinds determines it can make progress on the transactions for the depositary receipt sub-group. Generally, within each trading sub-



group, all orders for a security with the same symbol are combined, regardless of investment strategy and traded as a block.

Tradewinds may deviate from its allocation policies in certain circumstances, such as transactions resulting from client requests to withdraw funds or securities, client requests to liquidate the client's account, and orders for new accounts or contributions when there is no pending aggregated order in the same security.

#### Allocation of Partially Filled Orders

If Tradewinds is unable to fill an aggregated transaction completely, it allocates the partially filled orders according to Tradewinds' allocation policy among accounts for which such a transaction is appropriate. The objective of Tradewinds' allocation policy is to achieve equal treatment of all clients' accounts through a systematic process of trade allocation. No preference is given with respect to portfolio size, broker affiliation, or tenure of client.

Partially filled orders are allocated either pro-rata whenever feasible or otherwise randomly, to the extent Tradewinds determines the participating accounts would not receive a meaningful allocation. If there is a change in the price of the securities Tradewinds is seeking to purchase or sell for clients, Tradewinds may determine to change its action before it has filled orders for all client accounts for whom a particular transaction is appropriate. Thus, it is possible that not all client accounts will participate in the same gains or losses as other client accounts with similar investment objectives.

#### Special Allocation Procedures

Tradewinds has adopted special allocation procedures for IPOs and secondary offerings (together, "Public Offerings") and offerings of Rule 144A and Regulation S securities. Tradewinds is typically allocated only a portion of any Public Offering and it typically allocates shares purchased in a Public Offering fairly and equitably among its larger, more highly diversified institutional accounts on a pro rata basis to the extent feasible, based on suitability concerns and available cash, and in a manner that avoids comparatively small allocations. Tradewinds does not allocate Public Offerings to Managed Account Program Accounts, to any account custodied at a broker dealer except for prime brokerage accounts, to any account custodied at a bank affiliated with a broker-dealer that pays a wrap fee, or to any account custodied at a bank that pays a fee to a financial services firm that is a member, or whose affiliate is a member, of the underwriting syndicate for the Public Offering. Other restrictions may apply to these purchases. Tradewinds allocates securities acquired in a 144A offering, typically on a pro rata basis to the extent feasible, only to accounts that are Qualified Institutional Buyers as defined under Rule 144A of the Securities Act of 1933, as amended, for whom the purchase would be suitable and that have available cash. Tradewinds allocates securities acquired in a Regulation S offering, typically on a pro rata basis to the extent feasible to whom the offering may be made in compliance with the laws of the jurisdiction in which the account resides, for whom the purchase would be suitable, and that have available cash.

### Trade Aggregation and Allocation For Fixed Income Securities

Tradewinds does not manage any fixed income accounts, but it manages accounts in strategies which allow for certain fixed income instruments. When Tradewinds purchases fixed income securities for these accounts, these orders will generally be handled in the same manner as equity and convertible securities described above. Tradewinds may occasionally purchase other types of securities such as structured notes, which are typically purchased and negotiated directly by the Portfolio Manager. Such securities will be allocated to eligible accounts.

### Trade Error Procedures

In the event of a trading error, such as an incorrect security is purchased or sold for a client's portfolio, that is discovered prior to settlement, Tradewinds will first seek to cancel the trade with the broker-dealer at no detriment or expense to the client and no quid pro quo to the broker. It is also permissible to clear an unsettled trade through a broker's in-house error account if the broker is reimbursed for any loss. If the trade cannot be cancelled or has otherwise settled, Tradewinds will take reasonable steps to put the client in the same position it would have been in had the error not occurred. Tradewinds shall reimburse any loss suffered by a client; any gain realized by a client as a result of correcting a trade error (post settlement) shall remain in the client's account. For errors resulting in a gain, Tradewinds shall document such instances in accordance with its trade error policy and procedures, however, no additional action is required. Netting of gains and losses is permitted in certain circumstances. Tradewinds is responsible for its own errors and not the errors of other persons, including third party brokers and custodians, unless otherwise expressly agreed to by Tradewinds. Tradewinds, in its sole discretion, may assist, to the extent possible, with the appropriate correction of errors committed by third parties.

For trade errors that occur in Managed Account Programs, Tradewinds may not have the ability to control the ultimate resolution of the trade error. In these instances, the trade error and resolution thereof is governed by the Program Sponsor's policies and procedures. For additional information regarding Managed Account trade errors, please refer to Item 14, "Payments to Others - Managed Account Programs."

### Other Brokerage-Related Items

To the extent Tradewinds determines it is in accordance with its obligation to seek best execution, Tradewinds may elect to wait to trade certain securities in client accounts when it believes there is insufficient volume to warrant a favorable price and execution, or in instances where Program Sponsors are unable to trade such securities, and will subsequently aggregate such orders for execution across client accounts.

Where the approval of all strategy portfolio managers is required prior to implementing an investment idea, a strategy with more than one portfolio manager may trade a security after a strategy with only one Portfolio Manager. Consequently, client accounts in a strategy managed by more than one portfolio manager may receive a different price than

client accounts in a strategy managed by only one portfolio manager. Furthermore, if the same investment decision is made for two or more accounts within or across investment strategies, Tradewinds will seek to aggregate such transactions for the same security into a single order to obtain best execution and/or price for participating accounts. However, various factors including, but not limited to, portfolio construction or liquidity contribute to Tradewinds' decision on whether to advance or delay the purchase or sale of a security for one group of Tradewinds accounts. In addition, while independent investment decisions are made for each strategy, Tradewinds attempts to identify all strategies for which a security may be appropriate and communicate those findings to the individual/team responsible for the management of those accounts in an effort to facilitate block orders. In circumstances where an individual is unavailable to make a decision within a reasonable timeframe or it is otherwise impracticable to block the orders, trades are submitted independently and executed for one strategy. A subsequent order may be placed and executed at a later time for another strategy or product line after communication has been made and the individual/team determines whether the security is appropriate for their particular strategy or group of accounts.

## **ITEM 13: REVIEW OF ACCOUNTS**

### **General Description**

#### Institutional Accounts

The strategy portfolio manager, with assistance from the portfolio management team, is responsible for the execution of strategic decisions and the daily management and monitoring of the portfolio subject to individual client investment guidelines. As part of their oversight, the portfolio management team monitors cash balances in client accounts on a daily basis. Depending upon the trading activity, dispersion among client account holdings is reviewed periodically, but no less frequently than weekly.

Client specific investment guidelines are monitored on an ongoing basis by the portfolio management team and the compliance team to ensure adherence to client, regulatory and internal guidelines. All new trade orders are reviewed and cleared prior to the order being released to the trading desk. The compliance team works closely with the portfolio management team to ensure that questions which arise as a result of the pre-trade monitoring process are addressed in a timely and accurate manner. In addition, the compliance team independently monitors portfolio investment restrictions the following morning on a “batch” basis with respect to current holdings in order to identify any passive breaches that may have arisen as a result of market movements or other circumstances. Compliance notifies the assistant portfolio manager and the Chief Compliance Officer of any deviations. Furthermore, there is an additional escalation protocol whereby all outstanding guideline alerts are reported to the portfolio management team and the Chief Compliance Officer on a weekly basis to ensure issues are tracked and addressed within an appropriate timeframe.

#### Managed Accounts

The trader responsible for Managed Accounts in each investment strategy reviews security flows daily as well as cash levels for dispersion among accounts. The traders also review their previous day’s block orders on the Program Sponsor’s or internal portfolio trading system to determine if the orders were processed correctly. Dispersion reviews of Managed Account program trades in each investment strategy at each Program Sponsor are completed weekly. Similarly, dispersion of program trades between Managed Accounts in one Managed Account Program and program trades at different Managed Account Programs managed according to the same investment strategy are reviewed weekly.

### **Factors Triggering a Review**

Factors which may trigger a supplemental account review include, but are not limited to, (i) contributions to or distributions from an account, (ii) changes in an institutional or Managed Program account’s investment objectives as agreed to with Tradewinds, or (iii) changes in a Managed Account Program client’s financial profile as communicated to Tradewinds.

## **Client Reports**

### Institutional Accounts

Clients typically receive written quarterly reports listing their portfolio holdings and the performance of their portfolio for various periods compared to benchmark data. At a client's reasonable request, Tradewinds provides additional information as mutually agreed between the client and Tradewinds such as transaction summaries, gain/loss reports or commission reports.

### Investors in Private Funds

Each Private Fund investor receives monthly written capital account statements listing the current value of their account and the recent and since inception performance compared to benchmark data, if applicable. In addition, investors also receive annual audited financial statements and tax information. Certain unaudited fund information may be sent on a periodic basis.

### Managed Account and Financial Planning Firm Accounts

Managed Account and Financial Planning Firm clients typically receive reports of directly from the Program Sponsor or Financial Planning Firm who determine the frequency and content of the reports.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

### **Other Compensation**

In the ordinary course of business, Tradewinds, or a related person performing services on behalf of Tradewinds, may send corporate gifts or pay for meals and entertainment for personnel of firms that do business with Tradewinds. Such gifts, meals or entertainment provided by Tradewinds or a related person can generate a conflict of interest to the extent that it creates an incentive for the recipient or beneficiary to use, recommend, offer or include products or services of Tradewinds in a particular program, include Tradewinds in a preferred list of advisers, or refer clients to Tradewinds. Tradewinds employees or related persons also may be the recipients of corporate gifts, meals and entertainment. Tradewinds' receipt of gifts, meals and entertainment generates a conflict of interest to the extent that they create an incentive for the recipient or beneficiary to use the services of the provider (*e.g.*, in the case of a broker-dealer, brokerage services) of the gifts, meals and entertainment. The giving and receipt of gifts and other benefits are subject to limitations under the Nuveen Business Gift and Entertainment Policy as well as Tradewinds' Broker Sponsored Events Policy.

In addition, Tradewinds may receive various data services, including file download and on-line services, free of charge from banks and brokerage firms that act as custodians of client assets. Receipt of such services may pose a conflict of interest if Tradewinds were to consider any of these services when selecting a brokerage firm for the execution of client securities transactions. Tradewinds does not consider the aforementioned services during the broker selection process, nor will Tradewinds compensate any broker either directly or indirectly by directing brokerage transactions for consideration of these services.

Tradewinds, or a related person on Tradewinds' behalf, may pay fees to consultants for their advice and services, industry or peer group information, educational programs, software services or conference attendance. A conflict could exist if the consultant were to recommend Tradewinds' services based upon the amount of services Tradewinds purchased.

Additionally, certain Tradewinds' supervised persons and related sales personnel may receive certain discretionary compensation for successful marketing or selling activities with respect to shares or interests in the Funds or Private Funds advised or subadvised by Tradewinds. For additional information about Tradewinds' compensation for the sale of securities, please see the response to Item 5 above.

### **Payments to Others - Managed Account Programs**

Tradewinds, or an affiliate on its behalf, may make payments to firms or persons that use, offer or include products or services of Tradewinds in a particular program. These payments may take the form of conference, program or event attendance, participation or exhibition fees, educational and training fees, or fees linked to program participation or specific marketing initiatives within an existing program. Tradewinds may pay travel,

meal and entertainment expenses for a firm's representatives and others who visit Tradewinds' offices or other locations (including hotels and conference centers) to learn about its products and services.

Tradewinds also may make charitable contributions or underwrite or sponsor charitable events at the request of others. Payments described above may vary significantly from firm to firm depending on the nature of Tradewinds' and its affiliated investment advisers' Managed Program Account activities with the firm and the amount of the firm's Managed Program Account client assets under Tradewinds' and its affiliated investment advisers' management. Such contributions generate a conflict to the extent that they create an incentive for the recipient or beneficiary of the payment to use, recommend, offer or include products or services of Tradewinds in a particular program, include Tradewinds in a preferred list of advisers, or refer clients to Tradewinds. Payments are subject to Tradewinds or a related person's internal review and approval procedures.

Certain Managed Account Program Sponsors may establish trade error accounts for their programs, in which instances Tradewinds follows the Program Sponsor's particular procedures. In certain programs, losses for certain errors in client accounts managed by Tradewinds may be offset by gains in other client accounts managed by Tradewinds in the same Managed Account Program(s) over varying time periods. This offsetting of losses with gains could result in a benefit to Tradewinds.

Managed Account Program clients are encouraged to request and review materials from program sponsors (such as a sponsor's program brochure) describing business and financial terms and arrangements between program sponsors and investment advisers. All clients are encouraged to make relevant inquiries of their financial advisory firms and financial advisors, consultants and other intermediaries regarding the arrangements and practices described above.

The Nuveen Investments Wealth Management Services group, a division of Nuveen Investments, provides free general educational services to financial intermediaries who typically offer or use products or services of Tradewinds and/or its advisory affiliates. Nuveen Investments Wealth Management Services makes available various financial and educational tools, reports, materials and presentations on current industry topics relevant to a financial advisor. Certain financial tools and illustrations may use data provided by a financial advisor. Materials and services provided by the Nuveen Investments Wealth Management Services group are not intended to constitute financial planning, tax, legal, or investment advice and are for educational purposes only. The provision of Nuveen Investments Wealth Management services and materials can generate a conflict of interest to the extent that such provision creates an incentive for the recipient or beneficiary to use, recommend, offer or include products or services of Tradewinds in a particular program, include Tradewinds in a preferred list of advisers, or refer clients to Tradewinds.

### Payments to Others – Funds

In addition to the foregoing, with respect to Funds, Tradewinds or an affiliate makes payments to firms or individuals that use, offer or sell shares of the Funds advised by Tradewinds, or place the Funds on a recommended or preferred list. Such Fund-related payments may generate a conflict to the extent that they create an incentive for the recipient or beneficiary of the payment to use, offer or sell shares of the Funds advised by Tradewinds, or place the Funds on a recommended or preferred list. Fund investors should review a Fund's prospectus (or statement of additional information) for important information about such Fund-related payments.

### **Compensation for Client Referrals**

From time to time, Tradewinds, or its related persons on Tradewinds' behalf, may enter into written solicitation agreements for the referral of Tradewinds' investment advisory services under which persons introducing new clients to Tradewinds receive a referral fee. Generally, the fee is based on a percentage of the investment advisory fees earned on assets invested with Tradewinds at the commencement of the relationship. Clients do not pay higher fees as a result of these arrangements.

Additionally, in appropriate instances, Tradewinds and its related persons refer business to each other with respect to each other's products and services. Prospects and clients to whom such referrals have been made should be aware of the conflict inherent in such referral as a result of the common control of such parties. See Item 10.



## **ITEM 15: CUSTODY**

Tradewinds may be deemed to have a limited form of custody with respect to certain client assets by virtue of its authority to directly bill the custodian, broker, or another third party for advisory fees. Accordingly, Tradewinds maintains policies and procedures reasonably designed to mitigate the risk of fees not being deducted from client accounts in accordance with advisory contract terms.

Clients will receive account statements from their qualified custodians and should carefully review those statements. Clients also receive account statements from Tradewinds at least quarterly. Tradewinds' statements are not intended to replace the statement sent directly by the client's qualified custodian which is the client's official record for all pertinent account information. Tradewinds urges clients to compare the information contained in Tradewinds' account statement to the information reflected on the statement sent directly by its qualified custodian. The information provided in Tradewinds' account statement is as of the date referenced on the report and is based on sources Tradewinds believes are accurate and reliable. Tradewinds' account statements may vary from custodial statements based on reporting dates, accounting procedures, or valuation methodologies of certain securities. Tradewinds requests that clients notify their relationship manager promptly if they do not receive a statement directly from their custodian on at least a quarterly basis that contains the amount of funds and each security in their account at the end of the period, and all transactions in the account during that period.

Individual clients who seek to direct transfers or payments from their separate account to third parties (*e.g.*, to pay bills or transfer funds) should directly contact and instruct the account's custodian and/or primary financial advisor. It is generally outside the scope of Tradewinds' authority and services to process or intermediate such instructions.

## **ITEM 16: INVESTMENT DISCRETION**

Tradewinds is generally granted authority to manage securities accounts on behalf of its clients. For Institutional Accounts, Tradewinds obtains a client's written consent to its discretionary authority with respect to the client's assets in the form of an executed investment advisory agreement or other such comparable services agreement prior to providing discretionary advisory services. Private Fund clients execute subscription documents prior to Tradewinds providing discretionary advisory services.

For Managed Account Programs, Tradewinds is appointed to act as an investment adviser through a process administered by the Program Sponsor. Clients participating in a Managed Account Program, generally with assistance from the Program Sponsor, may select Tradewinds to provide investment advisory services for their account (or a portion thereof) in a particular strategy. Tradewinds provides investment advisory services based upon the particularized needs of the Managed Account Program client as reflected in information provided to Tradewinds by the Program Sponsor, and will generally make itself available for telephone conversations or in-person meetings as reasonably requested by Managed Account Program clients and/or Program Sponsors. Under special circumstances, Tradewinds will manage an account on a non-discretionary basis or in a model-based program, or permit modified discretion whereby Tradewinds submits a list of securities to purchase or sell for approval by the client and then acts in accordance with the client approval. Clients are encouraged to consult their own financial advisors and legal and tax professionals on an initial and continuous basis in connection with selecting and engaging the services of an investment manager in a particular strategy and participating in a Managed Account Program.

In addition to strategy specific objectives and restrictions, Tradewinds' discretionary authority over an account is subject to directions, guidelines and limitations imposed by the client or, in the case of a Managed Account Program, the Program Sponsor, and in the course of providing services to any client account, Tradewinds relies on information or directions communicated by any Program Sponsor, adviser, broker, consultant, agent, representative or any other party acting with apparent authority on behalf of its client.

Tradewinds will endeavor to follow reasonable directions, investment guidelines and limitations imposed by the client, Program Sponsor or other parties acting with apparent authority of behalf of the client. However, although Tradewinds seeks to provide individualized investment advice to its discretionary client accounts, Tradewinds will not be able to accommodate investment restrictions that are unduly burdensome or materially incompatible with Tradewinds' investment approach, and Tradewinds may decline to accept or terminate client accounts with such restrictions. In addition, Tradewinds has full discretion to determine the timing of investing a client's assets upon commencement of management of a client account and upon receipt of contributions to an account.

Tradewinds, in its discretion, may take positions for certain clients' accounts that are different than the positions it takes for other clients' accounts, based on differing investment strategies and restrictions that may be imposed by individual clients, the age of the account, the size of the account as well as other factors that may distinguish

accounts, such as the expressed ability and willingness of clients to absorb various levels of risk. For example, certain accounts may be long-only while other accounts may be long-short. Further, certain accounts (long-only or long-short) may pay performance fees, while other accounts pay a fee based on assets under management. Potential conflicts of interest may be present in these situations. Tradewinds periodically reviews allocations of investment opportunities and sequencing of transactions for accounts participating in the block order and periodically compares the performance of such accounts.

Tradewinds may also hold different security types of the same issuer. In doing so, Tradewinds will evaluate each security type on the basis of its individual investment merits. This may result in Tradewinds taking different actions for different security types of the same issuer. This could create a conflict of interest in that Tradewinds' actions with respect to one security type could adversely affect clients who are holding another security type. Accordingly, Tradewinds will review the potential impact of such actions on all accounts invested in the issuer.

When clients contribute securities to new or existing account, Tradewinds will evaluate the securities contributed ("legacy positions") and may sell all or a portion of such securities at any time in Tradewinds' discretion to the extent that such securities would not be included in Tradewinds' model portfolio holdings for such account. Depending on the nature or size of the legacy position and other factors, the client may receive a sale price that is less favorable than if the transaction involved a more liquid security or a more marketable-sized position. The client is responsible for any tax consequences of the sale.

If clients seek to contribute securities to a new or existing account so that Tradewinds will sell such securities, and then withdraws the cash proceeds, the client must expressly notify Tradewinds of its intent at the time of the contribution of securities. If a client contributes securities that are later sold, and fails to notify Tradewinds that such proceeds will be withdrawn, Tradewinds may invest the proceeds. The client is then responsible for any costs or losses, including taxes, associated with the subsequent sale of portfolio holdings and withdrawal of proceeds. Tradewinds reserves the right to decline to accept client instructions to liquidate securities when the proceeds will be withdrawn rather than reinvested. In that event, a client would be responsible for liquidation of the securities.

For additional information about Tradewinds' investment advisory services and investment restrictions, please refer to Item 4.

## **ITEM 17: VOTING CLIENT SECURITIES**

Tradewinds' Proxy Voting Policies and Procedures seek to ensure that proxies for which Tradewinds has ultimate voting authority are voted consistently and solely in the best economic interests of the beneficiaries of these equity investments. In addition, Tradewinds may determine not to vote proxies relating to certain securities if Tradewinds determines it would be in its clients' overall best interests not to vote, such as when the securities are non-U.S. securities subject to share blocking (short-term prohibitions on selling after voting).

The Proxy Voting Committee is responsible for oversight of the proxy voting process. Tradewinds has engaged the services of Institutional Shareholder Services, Inc. ("ISS") to make recommendations to Tradewinds on the voting of proxies for securities held in client accounts. Tradewinds reviews and frequently follows ISS recommendations. However, Tradewinds may not vote in accordance with ISS' recommendations when Tradewinds believes an ISS recommendation is not in the best economic interest of clients and in certain other instances.

When Tradewinds is faced with a conflict of interest in voting a proxy, Tradewinds will vote any proxies relating to such company's securities in accordance with the recommendations of ISS or in a manner otherwise provided pursuant to the Proxy Voting Policies and Procedures to avoid any conflict of interest. Tradewinds may choose not to vote in accordance with ISS' recommendations in instances where a conflict of interest arises that is based on a relationship between ISS or its affiliates and a corporate issuer, an entity acting as a primary shareholder proponent, or another party, to the extent Tradewinds determines such recommendation is not in the best interest of its clients

If an Institutional Account client requests Tradewinds to follow specific voting guidelines, Tradewinds will review the request and inform the client if Tradewinds is not able to follow the client's request. Institutional Account clients may make such requests during the contract negotiation process or by contacting their relationship manager thereafter.

It is the responsibility of the custodian appointed by the client, or the Program Sponsor in the case of the Managed Accounts, to ensure Tradewinds receives notice of the proxies to be voted sufficiently in advance of the relevant meeting. In certain instances, Tradewinds may elect not to vote a proxy or otherwise be unable to vote a proxy on its clients' behalf. Such instances may include but are not limited to a de minimus number of shares held, timing issues pertaining to the opening and closing of accounts, potential adverse impact on the portfolio of voting such proxy, logistical or other considerations related to non-U.S. issuers (such as in "power of attorney" markets where a client's sub-custodian requires power of attorney documentation to be on file in order for a vote to be counted, or in certain emerging or frontier markets where the legal structure of certain client accounts is not recognized (*e.g.*, trust structure) and consequently, a client's custodian is not permitted to allow voting for securities held), or based on particular contractual arrangements with clients or Managed Account Program Sponsors. A Managed Account Program Sponsor, a broker or a custodian, may provide Tradewinds with notice of proxy

ballots in the aggregate, rather than on the underlying account-level. Since Tradewinds is not afforded underlying account-level transparency in such instances, it must vote such proxies based on the information it receives from the Program Sponsor, broker or custodian, and consequently may be unable to reconcile the proxy ballots voted to the underlying-account level.

A copy of Tradewinds' Proxy Voting Policies and Procedures, as updated from time to time, as well information on how Tradewinds voted their accounts' securities is available to clients upon written request. Tradewinds will provide such information through the most recently completed calendar quarter. To obtain a copy of Tradewinds' Proxy Voting Policies and Procedures or information on how Tradewinds voted a client's securities, please send a request to:

Tradewinds Global Investors, LLC  
Attn: Institutional Account Administration  
2049 Century Park East, 17<sup>th</sup> Floor  
Los Angeles, CA 90067-3120

**ITEM 18: FINANCIAL INFORMATION**

Tradewinds does not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance, and thus, has not included a balance sheet for its most recent fiscal year. Tradewinds is not aware of any financial condition that is reasonably likely to impair its ability meet its contractual commitments to clients, nor has Tradewinds has not been the subject of a bankruptcy petition at any time during the past ten years.

## **ADDITIONAL INFORMATION**

### **Valuation of Client Securities**

A conflict of interest may arise in Tradewinds overseeing the valuation of its investments if Tradewinds charges fees based upon its valuations. Tradewinds maintains procedures requiring, to the extent possible, pricing from an independent third party pricing vendor as determined by its approved pricing hierarchy. If vendor pricing is unavailable, Tradewinds then looks to other observable inputs for its valuations. In the event that a vendor price or other observable inputs are unavailable or deemed unreliable, Tradewinds has established a Valuation Committee to make a reasonable determination of a security's fair value. When deemed reasonable, Tradewinds may agree to use a particular pricing source requested by a client. In these instances, the pricing vendor selected by the client may not be listed on Tradewinds' approved pricing hierarchy, or, if listed, may not be sequenced in the same order Tradewinds follows for selecting approved vendors for a particular security type. As a result, there may be deviations in valuations of a particular client account vs. other client accounts holding the same security.

### **Class Actions Settlements Policy**

Securities issuers are, on occasion, the subject of class action lawsuits where the class of potentially injured parties is defined to be purchasers of the issuer's securities during a discrete interval of time (the "Class Period"). These cases may result in an award of damages or settlement proceeds to the potentially adversely affected class members who file claims ("Claims") with the settlement administrator. At the time of the settlement, notice of the settlement together with a claim form and release is generally sent to the record holder of the securities who in turn may forward these notices to the beneficial owners of the securities.

Tradewinds does not provide any legal advice to clients in connection with class action litigation. Tradewinds has an existing arrangement with a third-party service provider to assist certain clients in preparing and filing Claim forms, releases and related documentation relating to class action litigation filed within the U.S., Canada, and the Netherlands only, unless expressly directed otherwise in writing by the client. This third party provider shall continue its services with respect to such existing clients. Clients that have terminated their relationship with Tradewinds will no longer be provided these services. Effective April 1, 2013, Tradewinds no longer offers this provider's services for any new accounts. Tradewinds will instead provide new accounts with reasonable assistance by providing account-level information as clients may request. Tradewinds encourages clients to consult their custodian for additional information pertaining to class action notifications.

Clients that have accounts managed by Tradewinds through a Managed Account Program will have Claims attributable to their accounts processed in accordance with the policies and practices of the Managed Account Program or referring Program Sponsor elected by the client. Tradewinds will not take any action on behalf of such clients. In addition, Claims on behalf of the Funds will be processed in accordance with the policies of the

relevant fund.

### Legal Proceedings

As a general matter, except as otherwise provided herein or as required by law, Tradewinds will not be obligated to monitor, advise or act for a client in legal proceedings, including, but not limited to bankruptcies or other legal proceedings involving securities presently or formerly held in a client's account, or the issuers of those securities. Clients should instruct their custodians to promptly forward any communications relating to legal proceedings involving such assets.



## CANADIAN CLIENT DISCLOSURE

Tradewinds is exempt from registration as an adviser in Alberta, British Columbia, Ontario, Nova Scotia and Quebec as it meets all of the conditions of an “Exempt International Adviser.” It is required to take certain steps to rely on that exemption, one of which is to provide its clients with notice of certain matters.

Notice is hereby given that:

1. Tradewinds is not registered as a ‘portfolio manager’ in Alberta, British Columbia, Ontario, Nova Scotia, or Quebec.
2. Tradewinds has its office of jurisdiction located at: 2049 Century Park East, 20th Floor Los Angeles, CA 90067
3. The addresses for service of process for Tradewinds are as follows:

### **Alberta**

Borden Ladner Gervais LLP  
Centennial Place, East Tower  
1900, 520 – 3<sup>rd</sup> Avenue S.W.  
Calgary, Alberta, Canada  
T2P 0R3

### **Nova Scotia**

Stewart McKelvey  
Suite 900, Purdy’s Wharf Tower One  
1959 Upper Water Street  
Halifax, Nova Scotia, Canada  
B3J 3N2

### **British Columbia**

Lawson Lundell LLP  
Suite 1600 Cathedral Place  
925 West Georgia Street  
Vancouver, British Columbia, Canada  
V6C 3L2

### **Quebec**

Gowling Lafleur Henderson LLP  
3700-1 Place Ville Marie  
Montreal, Quebec, Canada  
H3B 3P4

### **Ontario**

Torys LLP  
79 Wellington Street West, 30<sup>th</sup> Floor  
Box 270, TD South Tower  
Toronto, Ontario, Canada  
M5K 1N2

4. There may be difficulty enforcing legal rights against a non-resident adviser because it is resident outside Canada and all or substantially all of its assets may be situated outside of Canada.

Any nonpublic personal information Tradewinds receives from Canadian clients will be stored in the U.S., and as a consequence, may become subject to disclosure in accordance with U.S. laws.

## **PRIVACY STATEMENT**

Tradewinds Global Investors, LLC, a wholly owned subsidiary of Nuveen Investments, Inc. considers your privacy our utmost concern. In order to provide you with individualized service, we collect certain nonpublic personal information about you from information you provide on applications or other forms (such as your address and social security number), and information about your account transactions with us (such as purchases, sales and account balances). We may also collect such information through your account inquiries by mail, email or telephone.

We do not disclose any nonpublic personal information about you to anyone, except as permitted by law. Specifically, so that we may continue to offer you products and services that best meet your investing needs, and to effect transactions that you request or authorize, we may disclose the information we collect, as described above, to companies that perform administrative or marketing services on our behalf, such as transfer agents, or printers and mailers that assist us in the distribution of investor materials. These companies will use this information only for the services for which we hired them, and are not permitted to use or share this information for any other purpose.

If you decide at some point either to close your account(s) or to become an inactive customer, we will continue to adhere to the privacy policies and practices described in this notice.

With regard to our internal security procedures, we restrict access to your personal and account information to those employees who need to know that information to service your account. We maintain physical, electronic and procedural safeguards to protect your nonpublic personal information.