



## ITEM 1- BROCHURE COVER PAGE

### PART 2A OF FORM ADV: FIRM BROCHURE

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This Brochure provides information about the qualifications and business practices of Richard Bernstein Advisors LLC. If you have any questions about the contents of this Brochure, please contact us at 212-692-4000 or [www.rbadvisors.com](http://www.rbadvisors.com). The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the "SEC") or by any state securities authority.

Richard Bernstein Advisors LLC is a registered investment adviser. Registration of an investment adviser with the SEC or with any state securities authority does not imply any particular level of skill or training. The oral and written communications of an investment adviser provide you with information based on which you determine to hire or retain the adviser.

Additional information about Richard Bernstein Advisors LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Nothing contained in this Brochure constitutes a recommendation of or an offer to sell, or the solicitation of an offer to buy or invest in, any investment product, vehicle, service or instrument.**

## ITEM 2 – MATERIAL CHANGES

This Item 2 discusses only specific material changes that are made to this Brochure since the last annual update of our Brochure on March 28, 2014. It does not describe other modifications to this Brochure, such as updates to dates and numbers, stylistic changes or clarifications.

- Item 4 (Advisory Business) was revised to add a description of the Firm's Index Provider Services.
- Generally, we revised and expanded certain information to help clients better understand our firm and the investment products we offer, the business issues we face, the risks associated with investing and with our investment process and our efforts to ensure clients are treated fairly and equitably. The changes primarily apply to Item 4 (Advisory Business), Item 5 (Fees and Compensation), Item 6 (Performance-Based Fees and Side-by-Side Management), Item 7 (Types of Clients), Item 8 (Method of Analysis, Investment Strategies and Risk of Loss), Item 10 (Other Financial Industry Activities and Affiliations) and Item 17 (Voting Client Securities).

Currently, our Brochure may be requested by contacting Richard Bernstein Advisors LLC's Chief Compliance Officer ("CCO"), Michael H. Meyer, at 212-692-4030 or [mmeyer@rbadvisors.com](mailto:mmeyer@rbadvisors.com).

Additional information about Richard Bernstein Advisors LLC is also available via the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## ITEM 4 – ADVISORY BUSINESS

### A. General Description of Advisory Firm.

Richard Bernstein Advisors LLC (“RBA” or the “Firm”) is an investment adviser focusing on longer-term investment strategies that combine top-down, macroeconomic analysis and quantitatively-driven portfolio construction. RBA strives to be a leading provider of innovative investment solutions for investors, and we believe that our competitive edge is our research-driven macro style of investing. That research starts with Richard Bernstein, the Firm’s Chief Executive Officer (“CEO”) and Chief Investment Officer (“CIO”), who is widely recognized in the area of style investing and asset allocation. He has over 30 years’ experience on Wall Street, including most recently as the Chief Investment Strategist at Merrill Lynch & Co. He is much-noted on equity, style and asset allocation; and was voted to *Institutional Investor* magazine’s annual “All-America Research Team” 18 times, including ten as the top-ranked analyst in his category and only one of 50 analysts to be inducted into the Institutional Investor All-American Research Hall of Fame. Mr. Richard Bernstein has also authored two books on style investing, including “Style Investing – Unique Insight into Equity Management,” which is widely viewed as the seminal book on style-oriented investment strategies.

We believe that our top-down macro approach is a unique style of equity and asset allocation and differentiates our firm from the more common and traditional bottom-up approach of most asset managers. Our extensive array of macro indicators allows us to construct portfolios for clients that are innovative, risk-controlled, and focused on overall portfolio construction rather than on individual stock selection.

RBA offers sub-advisory services and customized, separately-managed accounts for both equity and asset allocation as well as serves as an index provider. We distribute our products mainly through partnerships with some of the world’s leading financial institutions, such as Eaton Vance, where we sub-advise mutual funds, UBS Wealth Management, where we provide clients with tailored asset-allocation models in a discretionary wrap program, and First Trust Portfolios, where we create equity income-oriented portfolios in a series of unit investment trusts (“UITs”) and serve as the index provider to exchange-traded funds (“ETFs”). We also offer separately managed accounts for institutions and high-net-worth individuals.

RBA was founded in 2009 as a Delaware Limited Liability Company and is headquartered in New York City. The Firm became a registered investment adviser with the SEC (SEC File Number: 801-71501) in 2010. The Firm is principally owned by Mr. Richard Bernstein.

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## B. Description of Advisory Services.

### ***Mutual Funds, UITs and ETFs***

RBA currently serves as the sub-adviser to the Eaton Vance Richard Bernstein Equity Strategy Fund, Eaton Vance Richard Bernstein All Asset Fund and Eaton Vance Richard Bernstein Market Opportunities Fund. RBA also serves as the adviser or sub-adviser to UITs. A UIT is a pooled investment vehicle in which investors own a fractional undivided interest (i.e., units) in a portfolio of securities. RBA may also act as a non-discretionary sub-adviser to certain ETFs whereby it provides model portfolios to them. While there are disclosures in this Part 2A of Form ADV that relate to the funds, UITs and ETFs, most disclosures relate solely to RBA's separate account products. This document should not be considered an offering document for the funds or any UIT or ETF. Please see the respective client's offering materials such as the prospectus, statement of additional information, and other reports to investors for complete disclosures relating to the products.

### ***Separately Managed Accounts***

RBA provides discretionary investment advisory services to separately managed account ("SMA") clients primarily through financial intermediaries, for example, broker-dealers and registered investment advisers often through wrap fee programs (see below), including UITs. RBA also provides discretionary investment advisory services directly to high net worth individuals and institutions. Separate account clients select an investment strategy after consultation with RBA or their primary advisor. As detailed below, clients are permitted to impose reasonable restrictions if such restrictions are not materially different from a strategy's investment objectives. Clients who impose investment restrictions should be aware that the performance of their accounts may differ from that of the investment strategies not subject to investment restrictions.

### ***Wrap Fee Programs***

RBA provides investment strategies to accounts under wrap fee programs sponsored by other firms or "wrap sponsors." The wrap sponsors recommend and assist clients in selecting an appropriate RBA investment strategy, taking into account their financial situation and investment objectives. RBA's role is to manage the client's account according to the strategy selected. In a wrap fee program, the wrap sponsor may provide investment advisory, execution and custodial services to clients in return for an all-inclusive – or "wrap" – fee paid to the sponsor. RBA receives a portion of the wrap fee for providing these strategies. RBA will allow reasonable investment restrictions if they do not differ materially from a strategy's investment objectives. Clients who impose investment restrictions should be aware that the performance of their accounts may differ from that of the investment strategies not subject to investment restrictions.

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### ***Model Portfolio Provider (also known as Unified Managed Account Programs)***

RBA provides investment strategies via model portfolios to other investment advisers, including several ETF asset allocation driven models. As the model portfolio provider, RBA designs, monitors and updates the portfolio. The investment advisers may then implement the model portfolio for their clients and adjust the model portfolio as recommended by RBA. Model portfolio providers may grant shared trading authority to RBA or “dual-discretion” over the clients’ assets whereby RBA has discretion to execute trades on behalf of the clients.

### ***Index Provider Services***

RBA has created and licensed indexes covering a range of asset classes. Currently, RBA has two indexes: Richard Bernstein Advisors Quality Income Index (the “Quality Income Index”) and Richard Bernstein Advisors American Industrial Renaissance® Index (the “Renaissance Index”). The Quality Income Index is a risk-weighted index of companies in the global high dividend yield universe which meet RBA’s criteria for quality income. The Renaissance Index is designed to measure the performance of small- and mid-cap U.S. companies in the industrial and community banking sectors. RBA licenses the right to use the indexes to unaffiliated third parties but has no discretion over the assets that are to be managed by the third-party manager pursuant to the index. In certain instances, RBA may also receive an index support fee to provide marketing, due diligence support or other assistance to licensees of the index.

### ***Published Research and Investment Commentary***

RBA may also provide published research and investment commentary to clients. RBA may also provide targeted advice based on the individual needs of its clients. Customized advice is provided on a case-by-case basis and is developed to suit the needs of the client.

#### **C. Managing the Individual Needs of Clients**

RBA offers custom solutions through SMAs for both high net worth individual and institutional investors. RBA offers specific equity investment strategies and generally does not modify its investment strategy based on an individual client’s financial situation, investment experience, risk tolerance, or investment objective if it differs from the investment objective of RBA’s strategy. RBA allows reasonable investment restrictions that do not materially affect its investment strategy.

#### **D. Assets Under Management.**

As of February 28, 2015, RBA had \$3,379,023,667 in assets under management/ advisement of which \$1,603,763,352 were managed on a discretionary basis and \$1,658,426,815 were managed on a non-discretionary basis. Assets under advisement or

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“non-discretionary” assets include client assets over which RBA does not have discretion such as for its model portfolio provider services. In addition, as of February 28, 2015, unaffiliated third parties maintained \$116,833,500 in assets subject to an index as part of RBA’s Index Provider Services.

## **ITEM 5 – FEES AND COMPENSATION**

The extent and nature of advisory services that RBA provides will vary depending upon the specific arrangements it makes with each client. As a result, RBA’s fees will differ among its client accounts due to a number of factors, such as the size of the account, relationships to other accounts, the historical or projected nature of trading for the account, and the extent of supplemental client services to be provided to the account.

### **A. Advisory Fees and Compensation.**

#### ***Separately Managed Accounts***

RBA receives an annual management fee range from 0.40% to 1.25% per annum from each SMA client depending on the investment strategy. The services rendered to each SMA will be pursuant to a written management contract generally terminable by either party on 30 days' (or less, depending on the contract) prior written notice. Fees are negotiable and may differ from the above range. Accounts managed with the same investment strategy may not have the same fee structure.

#### ***Wrap Programs***

The wrap sponsors contract with the client to perform investment management and/or custodial services. Clients pay a single all-inclusive fee quarterly in advance to the wrap sponsor based on assets under management. From the all-inclusive fee, the sponsor will pay RBA a management fee. The wrap fee is set forth in the sponsor’s brochure.

#### ***Model Portfolio Provider***

For model portfolio provider services, clients generally pay a management fee which is comparable to the separately managed account fee schedule above. RBA receives a portion of the fee paid by clients from the model portfolio provider which is less than what the client will pay.

#### ***Mutual Funds, UITs and ETFs***

RBA receives an annual management fee of up to 1.25% per annum from the fund, adviser or sponsor of the mutual fund, UIT or ETF, as applicable. The services rendered to each fund will be pursuant to a written management contract generally terminable by either party on 60 days' (or less, depending on the contract) prior written notice. In the case of



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the ETF, RBA does not have discretion over the fund's assets. As noted above, such services may be provided pursuant to a sub-advisory arrangement. Fees may be reduced at specified higher asset levels. The amount of fees charged may depend on the product's investment objective and investment strategy, size of the fund and other factors.

The fees for the mutual funds, UITs and ETFs can be found in the respective product's offering materials.

### ***Index Provider Services***

In connection with the licensing of its indexes, RBA is entitled to receive a fee based on the market value of assets managed by the third party using the indexes. RBA generally receives this fee on a monthly or quarterly basis, typically paid in arrears. The rates for such fee will generally range up to 50 basis points depending on certain factors including, but not limited to, the level of assets managed by the unaffiliated third-party manager subject to an index, and whether or not the Index Provider Services client licenses to receive the index component information on a monthly or weekly basis. Such fees may be negotiable.

### ***Published Research and Investment Commentary***

RBA may also provide investment management and advisory services through published research and investment commentary and asset allocation models periodically provided to unaffiliated brokers and independent investment advisers pursuant to written contracts; RBA currently has several such arrangements in place. The basic fee structure for such services will be a percentage of assets under management and/or fixed-fee, which RBA anticipates will vary according to the contract.

#### **B. Payment of Fees.**

Fees may be billed quarterly or monthly, in arrears or in advance. If a client's fees are paid in advance, RBA will refund to the client a *pro rata* portion of the fee for any period with respect to which the fee was prepaid but RBA's services have been terminated. The specific manner in which fees are charged by RBA is established in each client's written agreement with RBA. Clients may elect to be billed directly for fees, or authorize RBA to debit fees from their accounts. In the case of quarterly billing, management fees may be pro-rated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of *de minimis* contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a pro-rated fee. Upon the termination of an account, any prepaid, unearned fees will be promptly refunded, and any earned but unpaid fees will be due and payable.

Some clients direct RBA to provide billing statements to the custodian and further direct the custodian to pay RBA's fees from the assets of the account. Those clients that do so, and

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also elect to receive a copy of RBA's statements, are encouraged to compare any statements received from RBA with the statements received from the custodian.

RBA will invoice published research and investment commentary clients directly.

C. Additional Fees and Expenses.

RBA's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses that may be incurred by a client. Clients may incur charges imposed by custodians, brokers and other third parties, as well as deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes imposed on brokerage accounts and securities transactions. Mutual funds (including, but not limited to, ETFs) in which RBA may invest on behalf of clients also charge their own management fees that are disclosed in the respective fund's prospectus. Such other charges, fees, taxes, costs and commissions are exclusive of, and in addition to, RBA's management fee, and RBA does not receive any portion of these other charges, fees, taxes, costs and commissions.

For more information on RBA's brokerage practices, please see Item 12.

***Supervised Persons' and Third Parties' Sales Incentive Compensation***

Some of RBA's supervised persons may accept incentive compensation for the sale of RBA's advisory products other than mutual funds or other pooled vehicles. You should be aware that RBA's supervised persons do not recommend non-RBA investment products or services.

RBA has retained and may in the future retain third parties to assist in the marketing of RBA's advisory services. Such firms will receive a portion of the advisory fees related to clients referred by such third parties.

**ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

***Performance-Based Fees***

RBA does not currently charge any performance-based fees (*i.e.*, fees based on a share of capital gains on or capital appreciation of the assets of a client).

***Side-by-Side Management***

RBA simultaneously manages the portfolios of the various products, according to the same or similar investment strategy (*i.e.*, side-by-side management). The simultaneous management of these different investment products creates certain conflicts of interest, as the fees for the management of certain types of products are higher than others.

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Nevertheless, when managing the assets of such accounts, RBA seeks to treat all such accounts fairly and equitably over time.

Although RBA seeks to treat all portfolios within an investment strategy fairly and equitably over time, such portfolios will not necessarily be managed the same at all times. Specifically, there is no requirement that RBA use the same investment practices consistently across all portfolios. RBA will not necessarily purchase or sell the same securities at the same time or in the same proportionate amounts for all eligible portfolios, and a client's performance will not necessarily be reflective of the performance of a separate account, including a wrap account, managed using a similar strategy, due to a variety of factors including differences in cash flows and the timing of trading. As a result, although RBA manages multiple portfolios with similar or identical investment objectives, or may manage accounts with different objectives that trade in the same securities, the portfolio decisions relating to these accounts, and the performance resulting from such decisions, may differ from portfolio to portfolio.

Refer to Item 12 for more information on RBA's trade aggregation, trade allocation and trade rotation policies and practices.

## **ITEM 7 – TYPES OF CLIENTS**

RBA offers investment advisory services to high-net-worth individuals, pension and profit-sharing plans, investment companies, state or municipal government entities, insurance companies, charitable organizations, registered investment companies, corporations and other business entities, model portfolio providers and other financial intermediaries.

In general, RBA requires a minimum account size of \$10,000,000 for direct separate account clients. Account minimums may be waived at the discretion of RBA. RBA has the right to terminate an account if it falls below a minimum size which, in the Firm's sole opinion, is too small to effectively manage.

Details of minimum investment requirements for the mutual funds, UITs and ETFs can be found in the respective product's offering materials.

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

### **A. Methods of Analysis and Investment Strategies.**

#### ***Advisory Services***

RBA's core investment strategy seeks a high total return over the long term through a combination of top-down macroeconomic analysis and quantitatively driven portfolio construction. Macroeconomic indicators will be used to allocate portfolio assets in markets around the world and among various asset classes. Individual security selection is based

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on quantitative screening and optimization to achieve desired market exposures while seeking to control security-specific and other observable market risks.

Dependent on the outlook for US and global corporate profits, RBA makes top-down assessments of the relative attractiveness of, among others, stocks vs. bonds, treasuries vs. corporates, emerging-market vs. developed-market, growth vs. value, large-cap vs. small-cap, cyclical vs. non-cyclical sectors and asset allocations based on macroeconomic indicators. It is expected that the macroeconomic analysis will evolve over time and may include consideration of the following: historical risk and return characteristics; global market valuations; global yield curves; asset class, regional, and country correlations; profit cycle analyses and style and sector rotation; expected beta; estimate revisions and earnings surprises; investor sentiment and other factors. After determining what it believes to be the optimal asset class allocations, RBA seeks attractive investment opportunities by quantitatively screening for stocks within the targeted segments that historically have had the most compelling characteristics given the Firm's macroeconomic assessment. Those characteristics are likely to change as a function of RBA's changing assessment of global economic and profit environments. Individual ETF selection will be based on quantitative screening and risk-analysis, as well as qualitative review, to achieve desired market exposures.

The Firm emphasizes and de-emphasizes various global market segments and asset classes at different times in accordance with chief investment officer Richard Bernstein's evolving views, grounded in his well-published research on "style investing" and the relationships between economic and profit cycles, on the one hand, and equity market segment performance, on the other. The Firm will attempt to implement its strategies, and better capture its targeted macroeconomic exposures, through portfolio or "basket" trades whenever possible, de-emphasizing individual stock or bond selection.

The Firm expects generally to pursue its core strategy by allocating assets primarily among equity, fixed-income, commodity, currency and cash investments. Certain strategies will incorporate long and short selling in order to implement market views. Occasionally, it may utilize other asset classes, including short-term instruments (such as higher quality money-market instruments and other securities with remaining maturities of one year or less), or invest in protective options or futures positions, in an effort to protect one or more of its portfolios against market volatility. The Firm may include ETFs in its portfolios and, if appropriate in light of a particular investment mandate, may seek to express its market view primarily or entirely through a portfolio of ETFs.

The Firm may invest in both developed and emerging markets. It may invest in fixed-income securities of any credit quality. Such investment may include, but are not limited to, corporate bonds, securities issued or guaranteed by the U.S. government or its agencies or instrumentalities, obligations of other sovereign nations, municipal obligations, mortgage-backed securities and inflation-linked debt securities. It may invest in stocks of companies of any capitalization, real estate investment trusts, exchange-traded notes ("ETNs"), and ETFs and other pooled investment vehicles. Investment in cash or cash

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equivalents may include U.S. and foreign bank certificates of deposit, fixed time deposits, repurchase agreements, bankers' acceptances and other short-term instruments.

Because RBA gauges, in each case, the exposures of the overall portfolio and not the relative merits of individual companies' prospects, it anticipates that portfolio turnover will be low. In order to foster a disciplined strategy, the Firm expects that portfolio rebalancings, including both purchases and sales of securities, will generally occur at regular intervals, and that the frequency of major rebalancings will be determined largely by market volatility and the duration of economic and profit cycles. Individual securities may be sold because of unusual company-specific events that cause abnormal security-specific volatility. "Abnormal" volatility means positive or negative price performance that is statistically exaggerated relative to historical trading pattern. Other potential catalysts for selling a security include exceeding an internal policy guideline, a material drop in daily market liquidity, corporate actions and a substantial change in a security's style characteristics. ETFs may also be sold relative to the desired portfolio exposures during periodic rebalancings. The Firm expects that individual securities will rarely be bought or sold based solely on the attractiveness of the respective companies without regard to the characteristics of the overall portfolio.

The Firm may, when consistent with a portfolio's investment objective, buy or sell options or futures contracts on a security or on an index of securities (long or short), and may use derivatives to hedge market risk on equity securities, increase exposure to certain markets or market segments, and manage exposure to foreign currencies.

Portfolios (overall, and individual position sizes and concentrations) will be routinely monitored in an effort to ensure that they maintain the desired macroeconomic exposures and to minimize extraneous or unintended portfolio risk exposures, and they will be rebalanced as appropriate. Holdings will be adjusted for company-specific events that might distort portfolio composition. Using widely recognized third-party portfolio attribution systems, RBA will seek to determine whether the sources of actual portfolio performance are consistent with the anticipated drivers of expected returns. Thus, both portfolio performance and the causes of portfolio performance (both positive and negative) will be closely reviewed. RBA anticipates that unless constrained by specific fund or account mandate, major changes in asset allocation (e.g., moving from stocks to bonds) and strategy (e.g., moving from large-cap growth to small-cap value) will occur, on average, approximately every three years, depending on the volatility of global markets and the duration of economic and profit cycles.

RBA does not currently expect to participate in any initial public offerings ("IPOs"). Accordingly, the Firm has not adopted an allocation policy with respect to IPOs. In the unlikely event that this expectation changes, the Firm will adopt such a policy to govern its allocation of such offerings among its various client accounts.

RBA may from time to time, on behalf of funds and SMAs, invest excess (i.e., otherwise uninvested) client funds in cash equivalents and other short-term instruments, as well as in the overnight repurchase agreement ("repo") market.

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Some of RBA's strategies are designed for and implemented through Unit Investment Trusts which consist of a professionally selected unmanaged portfolio of securities which are held for a predetermined period of time. The process generally involves screening a large universe of stocks in an effort to identify a group of securities that meet certain quantitative criteria. Portfolio construction is finalized using a proprietary portfolio optimization process which seeks to control risks through security selection and varied position weights.

### **Index Provider Services – Description of Index or Portfolio Replication Construction**

The Richard Bernstein Advisors American Industrial Renaissance® Index is designed to measure the performance of small and mid cap U.S. companies in the industrial and community banking sectors. To construct the index, RBA begins with the Russell 2500 index and eliminates companies not directly related to manufacturing and related infrastructure, and banking. Banks will then be chosen from states considered to be traditional manufacturing hubs. Bank stocks will be limited to approximately 10% of the index at rebalance. RBA screens to exclude companies with non-U.S. sales greater than or equal to 25% and for positive 12-month forward earnings estimates. RBA uses a proprietary portfolio optimization method to weight each individual constituent company. No position will exceed approximately 4% of the total index at rebalance. Other criteria: \$6 minimum share price, \$200 million minimum market cap and liquidity of at least \$500k trading volume on average each day. At each quarter the index is rebalanced such that each company meets the criteria as set forth above and each segment of the index is capped at its predetermined weight.

The Richard Bernstein Advisors Quality Income Index attempts to control the risks associated with investing in higher-yielding stocks, yet maintain attractive current income. The index incorporates several layers of risk control in order to attempt to minimize the probability of dividend cuts and the related underperformance. To construct the index, RBA starts with all equity securities in their global high dividend yield universe. They will then screen for debt levels and for consistency of earnings/cash flow to potentially eliminate companies headed for a dividend cut or omission. RBA uses a proprietary portfolio optimization method to weight the securities. Other criteria: \$6 minimum share price, \$200 million minimum market cap, Liquidity of at least \$1 million trading volume on average each day. No position will exceed approximately 2% of the total index at rebalance. At each quarter the index is rebalanced such that each company meets the criteria as set forth above and each segment of the index is capped at its predetermined weight.

### **B. Material, Significant, or Unusual Risks Relating to Investment Strategies.**

When RBA acts as either adviser or sub-adviser to a fund or SMA, there may be risks associated with its active and quantitative management. A fund or an SMA is an actively managed portfolio, and its success depends upon the investment skills and analytical abilities of RBA to develop and effectively implement strategies that achieve its investment objectives. Subjective decisions may cause a fund or SMA to incur losses, or to miss profit opportunities on which it might otherwise have capitalized.



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In addition to financial publications, third-party research materials, ratings-agency reports and regulatory filings, RBA uses quantitative research models and databases (both proprietary and third-party), investment techniques and analyses in managing client portfolios, in an effort to achieve desired macroeconomic exposures and other targeted portfolio characteristics, but there can be no assurance that these quantitative approaches will achieve the desired results.

Any fund or SMA is not a complete investment program, and an investor may lose money by investing in it. All investments carry a certain amount of risk, and there is no guarantee that a fund or SMA will achieve its investment objectives. In general, a fund's annual operating expenses as a percentage of its average daily net assets will change as fund assets rise or fall, and those expenses may vary in the future. Purchase and redemption activities by fund shareholders may impact the management of the fund and its ability to achieve its objectives. An investment in a fund or SMA is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other agency, entity or person.

#### C. Risks Associated With Particular Types of Securities.

When acting as adviser or sub-adviser to a fund or SMA, RBA may trade or invest in different types of securities when managing the respective portfolio. Such trading or investing may involve a number of different types of risks, among them those described below.

**Equity Investing Risk.** A portfolio may be sensitive to stock market volatility, and the stocks in which a portfolio is invested may be more (or less) volatile than the stock market as a whole. The value of equity investments and related instruments may decline in response to conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; currency, interest rate and commodity price fluctuations; or issuer- or sector-specific events. Market conditions may affect certain types of securities to a greater extent than other types of securities. If the stock market declines, the value of a stock portfolio will also likely decline, and although stock values may rebound, there is no assurance that they will return to previous levels. Preferred stocks may also be sensitive to changes in interest rates, typically falling in value when rates rise.

**Smaller Companies Risk.** Stocks of smaller, less seasoned companies are generally subject to greater price fluctuations, less liquidity, higher transaction costs and higher investment risk than those of larger, more seasoned issuers. Smaller companies may have limited product lines, markets or financial resources, and they may be dependent on a limited management group or lack substantial capital reserves or an established performance record. There is generally less publicly available information about such companies than for larger, more established companies.

**Fixed-Income and Convertible Security Risk.** Portfolio securities may be sensitive to increases in prevailing interest rates and the creditworthiness of issuers. Fixed-income

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securities rated below investment grade and comparable unrated securities have speculative characteristics because of the credit risk associated with their issuers. Changes in economic conditions or other circumstances typically have a greater effect on the ability of issuers of lower-rated securities to make principal and interest payments than they do on issuers of higher-rated instruments. An economic downturn typically leads to a higher non-payment rate, and a lower-rated instrument may lose significant value before a default occurs. Lower-rated investments are generally subject to greater price volatility and illiquidity than higher-rated ones.

**Foreign and Emerging-Market Investment Risk.** Because RBA may invest a significant portion of a fund's or SMA's assets in foreign instruments, the value of a portfolio may be adversely affected by changes in currency exchange rates and by political and economic developments abroad. In emerging and less-developed countries, these risks can be substantial. Investment markets in emerging-market countries are substantially smaller, less liquid and more volatile than the major markets in developed countries, and as a result, portfolio values may be more volatile. Emerging-market countries may have relatively unstable governments and economies. Emerging-market investments often are subject to speculative trading, which typically contributes to volatility. Trading in foreign and emerging markets typically involves higher expense than trading in the United States. A U.S. investor may have difficulty enforcing its legal or contractual rights in a foreign country. Depositary receipts (ADRs) are subject to many of the same risks associated with investing directly in foreign securities, including political and economic risks.

**Derivatives Risk.** The use of derivatives may lead to losses resulting from adverse movements in the price or value of the underlying asset, index, rate or instrument, due to failure of a counterparty or to tax or regulatory constraints. Derivatives may create investment leverage in a fund or SMA, magnifying an account's exposure to the underlying investment. The risks associated with derivatives use in a portfolio may be heightened when they are used to enhance return or as a substitute for a position or security, rather than solely to hedge the risk of another investment held in the account. When derivatives are used to gain exposure to a particular market or market segment, their performance may not correlate as expected to the performance of that market or segment, thereby causing the account to fail to achieve its original purpose in using such derivatives. Derivatives used for hedging purposes may not reduce portfolio risk if they are not sufficiently correlated to the position being hedged. A decision as to whether, when and how to use derivatives involves the exercise of specialized skill and judgment, and even a well-conceived transaction may be unsuccessful because of subsequent market behavior or unexpected events. Derivative instruments may be difficult to value, illiquid, and subject to wide swings in valuation caused by changes in the value of the underlying asset, index, rate or instrument. The loss on a derivatives transaction may substantially exceed the initial investment.

**Real Estate Risk.** Real estate investments, including real estate investment trusts ("REITs"), are subject to special risks associated with real estate. Real estate investments are sensitive to factors such as changes in real estate values, property taxes, cash flow of



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underlying real estate assets, occupancy rates, government regulations affecting zoning, land use and rents, and the management skill and creditworthiness of the issuer. Real estate investments may also be subject to liabilities under environmental and hazardous waste laws, among others. Changes in underlying real estate values may have an exaggerated effect to the extent that REITs concentrate investments in particular geographic regions or property types.

**Risk Associated with Active Management.** The success of a client's account that is actively managed depends upon investment skills and analytical abilities of RBA to develop and effectively implement strategies that achieve the client's investment objective. Subjective decisions made by RBA may cause a client portfolio to incur losses or to miss profit opportunities on which it may otherwise have capitalized.

**General Investing Risks.** Most investment strategies are not intended to be a complete investment program. Clients generally should have a long-term investment perspective and be able to tolerate potentially sharp declines in value and/or investment losses. Investment advisers, other market participants and many securities markets are subject to rules and regulations and the jurisdiction of one or more regulators. Changes to applicable rules and regulations could have an adverse effect on securities markets and market participants, as well as on the ability to execute a particular investment strategy.

**Concentration Risk.** A strategy that concentrates its investments in a particular sector of the market (such as the utilities or financial services sectors) or a specific geographic area (such as a country or state) may be affected by events that adversely affect that sector or area and the value of a portfolio using such strategy may fluctuate more than that of a less concentrated portfolio.

**Currency Risk.** In general, the value of investments in, or denominated in, foreign currencies increase when the U.S. dollar is weak (*i.e.*, is losing value relative to foreign currencies) or when foreign currencies are strong (*i.e.*, are gaining value relative to the U.S. dollar). When foreign currencies are weak or the U.S. dollar is strong, such investments generally will decrease in value. The value of foreign currencies as measured in U.S. dollars may be unpredictably affected by changes in foreign currency rates and exchange control regulations, application of foreign tax laws (including withholding tax), governmental administration of economic or monetary policies (in the U.S. or abroad), intervention (or the failure to intervene) by U.S. or foreign governments or central banks, and relations between nations. A devaluation of a currency by a country's government or banking authority will have a significant impact on the value of any investments denominated in that currency. Currency markets generally are not as regulated as securities markets and currency transactions are subject to settlement, custodial and other operational risks. Exposure to foreign currencies through derivative instruments will be subject to *Derivatives Risks* described above.

**Risk of Commodity-Related Investments.** The value of commodities investments will generally be affected by overall market movements and factors specific to a particular industry or commodity, which may include weather, embargoes, tariffs, and health,

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political, international and regulatory developments. Economic and other events (whether real or perceived) can reduce the demand for commodities, which may reduce market prices and cause the value of a client portfolio to fall. The frequency and magnitude of such changes cannot be predicted. Exposure to commodities and commodities markets may subject a client portfolio to greater volatility than investments in traditional securities. No active trading market may exist for certain commodities investments, which may impair the ability to sell or to realize the full value of such investments in the event of the need to liquidate such investments. In addition, adverse market conditions may impair the liquidity of actively traded commodities investments. Certain types of commodities instruments (such as total return swaps and commodity-linked notes) are subject to the risk that the counterparty to the instrument will not perform or will be unable to perform in accordance with the terms of the instrument.

**Interest Rate Risk.** As interest rates rise, the value of a client portfolio invested primarily in fixed-income securities or similar instruments is likely to decline. Conversely, when interest rates decline, the value of such a client portfolio is likely to rise. Securities with longer maturities are more sensitive to changes in interest rates than securities with shorter maturities, making them more volatile. A rising interest rate environment may extend the average life of mortgages or other asset-backed receivables underlying mortgage-backed or asset-backed securities. This extension increases the risk of depreciation due to future increases in market interest rates. In a declining interest rate environment, prepayment of certain types of securities may increase. In such circumstances, RBA may have to reinvest the prepayment proceeds at lower yields. A strategy that is managed toward an income objective may hold securities with longer maturities and thereby be more exposed to interest rate risk than a strategy focused on total return.

**Duration Risk.** Duration measures the expected life of a fixed-income security, which can determine its sensitivity to changes in the general level of interest rates. Securities with longer durations tend to be more sensitive to interest rate changes than securities with shorter durations. A portfolio with a longer dollar-weighted average duration can be expected to be more sensitive to interest rate changes than a portfolio with a shorter dollar-weighted average duration. Duration differs from maturity in that it considers a security's coupon payments in addition to the amount of time until the security matures. As the value of a security changes over time, so will its duration.

**Maturity Risk.** Interest rate risk will generally affect the price of a fixed income security more if the security has a longer maturity. Fixed income securities with longer maturities will therefore be more volatile than other fixed income securities with shorter maturities. Conversely, fixed income securities with shorter maturities will be less volatile but generally provide lower returns than fixed income securities with longer maturities. The average maturity of a client portfolio's investments will affect the volatility of the portfolio's rate of return.

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**ETF Risk.** Investing in an ETF exposes a client portfolio to all of the risks of that ETF's investments and subjects it to a pro rata portion of the ETF's fees and expenses. As a result, the cost of investing in ETF shares may exceed the costs of investing directly in its underlying investments. ETF shares trade on an exchange at a market price which may vary from the ETF's net asset value. ETFs may be purchased at prices that exceed the net asset value of their underlying investments and may be sold at prices below such net asset value. Because the market price of ETF shares depends on the demand in the market for them, the market price of an ETF may be more volatile than the underlying portfolio of securities the ETF is designed to track, and a client account may not be able to liquidate ETF holdings at the time and price desired, which may impact its performance.

**Short Sale Risk.** Short sale risk includes, among other things, the potential loss of more money than the actual cost of the investment, and the risk that the third party to the short sale may fail to honor its contract terms, causing a loss to the client portfolio.

**System Risk.** RBA relies on computer programs and system in its proprietary modeling to evaluate securities, monitor its portfolios, and to generate reports that are critical to oversight of its activities. In addition, certain systems are operated by third parties, including counterparties and service providers. These programs, whether operated by RBA or a third party, may be subject to defects, failure and interruptions, including, but not limited to, those caused by computer "worms," viruses and power failures. Any such defect or failure could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect RBA's ability to monitor its investment portfolios and risks.

**Risk of Leveraged Transactions.** Certain types of investment transactions may give rise to a form of leverage. Such transactions may include, among others, the use of when-issued, delayed delivery or forward commitment transactions, residual interest bonds, short sales and certain derivative transactions. A client portfolio may be required to segregate liquid assets or otherwise cover the portfolio's obligation created by a transaction that may give rise to leverage. To satisfy the portfolio's obligations or to meet segregation requirements, portfolio positions may be required to be liquidated when it may not be advantageous to do so. Leverage may cause the value of a client portfolio to be more volatile than if it had not been leveraged, as certain types of leverage may exaggerate the effect of any increase or decrease in the value of securities in a client portfolio. The loss on leveraged transactions may substantially exceed the initial investment.

**Municipal Bond Market Risk.** The amount of public information available about municipal bonds is generally less than that for corporate equities or bonds and the investment performance of a client portfolio may be more dependent on the research capabilities of the adviser. The secondary market for municipal bonds also tends to be less well-developed and less liquid than many other securities markets, which may adversely affect the ability to sell bonds at attractive prices. In addition, municipal obligations can experience downturns in trading activity and the supply of municipal obligations may exceed the demand in the market or demand can exceed supply. During such periods, the

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spread can widen between the price at which an obligation can be purchased and the price at which it can be sold. Less liquid obligations can become more difficult to value and be subject to erratic price movements. The increased presence of non-traditional participants in the municipal markets may lead to greater volatility in the markets.

## **ITEM 9 – DISCIPLINARY INFORMATION**

There are no legal or disciplinary events to report.

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

### ***Commodity Activities***

RBA's management of its investment strategies may cause it to be subject to the rules and regulations promulgated by the U.S. Commodity Futures Trading Commission ("CFTC") relating to providing commodity trading advice. RBA has claimed an exemption from registration with the CFTC as a commodity trading advisor ("CTA") with respect to the applicable funds and otherwise relies on Commodity Exchange Act Section 4m(3) exemption from registration as a CTA.

### ***Material Relationships and Arrangements***

RBA acts as sub-adviser to three Eaton Vance Management sponsored mutual funds, which are open-end registered investment companies. In addition, RBA serves as the index provider to a First Trust Portfolios LP sponsored ETF and serves as the sub-adviser to certain UIT products. RBA also has various relationships with unaffiliated broker-dealers and investment advisers for its SMA services.

### ***Other Potential Conflicts of Interest***

RBA has retained Eaton Vance Management to sell its advisory services to unaffiliated broker-dealers and third parties. RBA will pay a portion of its advisory fees to Eaton Vance Management for its services.

Richard Bernstein is currently a paid contributor to CNBC, the financial news network, and a paid member of the Alfred P. Sloan Foundation's endowment investment committee. Mr. Bernstein is also a paid member of the adjunct faculty at the NYU Stern Graduate School of Business. He also receives royalties on two books from the publisher John Wiley & Sons, all of which he donates to charity.

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

### A. Code of Ethics.

RBA strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. These standards are incorporated into RBA's Code of Ethics (the "Code of Ethics"), which, *inter alia* ("among other things"), requires related persons (including, but not limited to, those with access to information on client transactions) to report personal securities transactions ("PSTs") and holdings to the Firm on a periodic basis, and to pre-clear with the Firm certain types of PSTs. The Code of Ethics also articulates certain general principles that all personnel are expected to adhere to, namely, that the interests of the Firm's clients always come first; that employees must not take any inappropriate advantage of their positions at the Firm; that information concerning the identity of portfolio securities, or the financial circumstances of any fund or SMA, must be kept confidential; and that independence in the investment decision-making process must be maintained at all times. The purpose of the Code of Ethics is to avoid even the appearance of a conflict of interest, to resolve any potential conflicts of interest before they materialize, and to detect and prevent fraud, deception or misconduct with respect to client transactions. To that end, the Firm has adopted, as part of its compliance policies and procedures (its "Compliance Guidelines"), policies and procedures designed to detect and prevent insider trading and the misappropriation or misuse of material, non-public information (its "Insider Trading Policies").

RBA's Insider Trading Policies prohibit the Firm and its personnel from trading, or recommending trading, for clients or themselves, in securities of an issuer while in possession of material, non-public information ("Inside Information") about the issuer, and from disclosing any such information to any person not entitled to receive it. By reason of its various activities, the Firm may from time to time become privy to Inside Information or become otherwise restricted from effecting transactions in certain investments that might otherwise have been initiated. RBA has adopted policies and procedures (including, without limitation, annual employee training) reasonably designed to shield its investment professionals in most cases from access to Inside Information, so that investment decisions may be made on the basis of public information only. Among other things, such policies and procedures seek to control and monitor the flow of Inside Information to and within the Firm, as well as prevent trading based on Inside Information. Accordingly, RBA may not have access to Inside Information that other market participants or counterparties are eligible to receive.

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

Firm personnel are required to periodically certify as to their compliance with the Firm's Code of Ethics and Insider Trading Policies.

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B. Securities in Which You or a Related Person Has a Material Financial Interest.

RBA acts as sub-adviser to the Eaton Vance Richard Bernstein Multi-Market Equity Strategy Fund and Eaton Vance Richard Bernstein All Asset Fund, which are open-end registered investment companies.

C. Investing in Securities That You or a Related Person Recommends to Clients.

The Firm's principals, employees or other related persons (collectively, its "personnel") may from time to time engage in personal trading of securities and other instruments for their own accounts, including, without limitation, securities and other instruments in which the Firm's clients are invested. Conversely, RBA may from time to time buy or sell securities on behalf of a client, or recommend to a client that it buy or sell securities, that are owned by one or more of the Firm's personnel, or in which one or more of them otherwise has an interest. Such related-person purchases or sales may be effected at the same or different times, and at the same or different prices, as client purchases or sales. The Firm, as part of its Compliance Guidelines, has adopted a Code of Ethics that, *inter alia*, places restrictions on personal trading by Firm personnel, requiring, for example, that they disclose their personal securities holdings and transactions, if any, to the Firm on a periodic basis, and pre-clear with the Firm certain types of PSTs.

D. Conflicts of Interest Created by Contemporaneous Trading.

As stated in items 11A and 11C, Firm personnel may from time to time engage in personal trading of securities and other instruments for their own accounts, including, without limitation, securities and other instruments in which the Firm's clients are invested. The Firm's Code of Ethics requires that the Firm maintain a list of companies about which a determination has been made that it is prudent to restrict trading activity (the "Restricted List"). This might include, for example, a company about which "Investment Personnel" (including the Firm's Chief Technology Officer and his direct reports, its CCO, and any member of the Firm's Investment Committee or Trading Desk) may have acquired material, non-public information, or an investment position where the Firm may have a securities filing obligation.

Additionally, the Firm will maintain a "Watch List" of companies as to which a determination has been made that it is prudent to restrict employees' trading in securities of such companies. Any security in which the Firm transacts for a client shall be included on the Watch List for a period that (i) commences on the date the transaction commences and (ii) ends at the close of business three (3) full business days after completion of the transaction; *provided, however*, that for Investment Personnel only, a security shall be included on the Watch List for a period that (x) commences upon the security's inclusion in a list of securities approved by the Firm's Investment Committee for investment by a client



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and (y) ends at the close of business three (3) full business days after it is no longer held in any client's portfolio.

As a general rule, trades will not be allowed for clients, or for the personal accounts of employees, in the securities of a company appearing on the Restricted List, except with approval of the CCO. Similarly, any determination to remove a company from the Restricted List must be approved by the CCO.

As a general rule, PSTs will not be allowed for securities of a company appearing on the Watch List, except with approval of the CCO. Similarly, any determination to remove a company from the Watch List must be approved by the CCO.

Restrictions with regard to securities on the Restricted List and the Watch List are also deemed to extend to options, rights or warrants relating to those securities and any securities convertible into those securities.

## **ITEM 12 – BROKERAGE PRACTICES**

The section below is not applicable with respect to RBA's Index Provider Services.

### **A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.**

#### **1. Research and Other Soft-Dollar Benefits.**

RBA, in its capacity as investment adviser to client accounts, if and to the extent consistent with current SEC interpretation and guidance, may pay a broker commissions (or markups or markdowns, with respect to certain types of riskless principal transactions) for effecting client transactions in excess of the amount another broker might have charged, in recognition of the overall value of brokerage or research products or services provided or paid for by the broker that RBA considers to be of benefit to its clients, provided that such products and services fall within the safe harbor created by Section 28(e) of the US Securities Exchange Act of 1934. This means, *inter alia*, that RBA must determine that (1) each particular brokerage or research product or service received constitutes eligible "research" or eligible "brokerage", (2) each particular brokerage or research product or service received provides lawful and appropriate assistance to RBA in carrying out its investment decision-making responsibilities, and (3) the amount of so-called "soft-dollar" commissions paid to each such broker is reasonable in light of the value to the Firm's clients of the brokerage and research products and services received from that broker. RBA believes that it is important to its investment decision-making process to have access to, *inter alia*, independent research (*i.e.*, research generated by third parties outside the Firm), and accordingly expects to use soft-dollar commissions to pay for products and services that fall within the scope of Section 28(e).

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Eligible products and services may include, for example, research reports on particular companies, industries, sectors or macroeconomic themes; quantitative, statistical or economic surveys and analyses; analyses of technical market action; pricing and appraisal services; credit, risk measurement and performance analyses; accounting and tax law interpretations; analyses of political and legal developments that might affect portfolio securities; and analyses of corporate responsibility issues. Such research products and services are generally received primarily in the form of written reports, telephone contacts, and personal meetings with analysts. Additionally, if and to the extent consistent with current SEC interpretation and guidance, such services may also be provided in the form of access to computer-generated data; computer software; and meetings arranged with economists, academics, and government representatives. In some cases, research services are generated by third parties but provided to the Firm by or through brokers.

Also consistent with Section 28(e), research products or services obtained with soft dollars generated by one or more client accounts may be used by the Firm to service one or more other client accounts. Where a product or service obtained with soft dollars provides both research and non-research assistance to the Firm (a so-called "mixed-use" item), RBA, if and to the extent consistent with current SEC interpretation and guidance, will make a reasonable allocation of the total cost between what may properly be paid for with soft dollars and what may not. In making such mixed-use cost allocations – between administrative benefits to the Firm, on the one hand, and products or services that provide lawful and appropriate assistance to the manager in carrying out its investment decision-making responsibilities, on the other – a conflict of interest may arise by reason of RBA's allocation of such costs between items that primarily benefit the Firm and those that primarily benefit its clients.

At least quarterly, the Firm will consider the amount and nature of research products and services provided by brokers, as well as the extent to which such products and services are believed to be of value and are relied upon, and will attempt to allocate a portion of its clients' brokerage business on the basis of that consideration (if and to the extent consistent with "best execution"). Brokers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker may be less than the suggested allocation, but can (and often does) exceed the suggested level, because total brokerage is allocated on the basis of all the considerations described above. A broker is not excluded from receiving business because it has not been identified as providing research products or services. Investment information received from RBA's brokers may be used by the Firm in servicing all its accounts, and not all such information need be used in connection with the specific client account(s) that generated the commissions used to purchase such information. RBA believes that such investment information benefits all its clients by supplementing the research and resources otherwise available to them.



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## 2. Brokerage for Client Referrals.

RBA does not select or recommend brokers based on client referrals from such brokers.

## 3. Directed Brokerage.

RBA will generally, in the case of funds and some SMAs, have full discretionary authority to trade, invest and manage its clients' assets on a day-to-day basis, including the discretionary authority to determine the securities to be bought or sold by or on behalf of clients, the amount to be bought or sold, the broker to be used for each transaction, and the commission rates (or markups or markdowns, with respect to certain types of riskless principal transactions) to be paid.

From time to time, an SMA client may request that RBA direct brokerage to a particular broker, including in some cases a broker affiliated with an adviser to the client who recommended that the client invest with the Firm. Such requests may be in respect of a particular trade or series of trades, or in respect of all trading in such client's account with the Firm. Subject to its obligation to seek best execution (*cf.* "Best Execution", below), RBA may consider requests by clients to direct brokerage in determining its selection of brokers.

## 4. Best Execution.

RBA has adopted guidelines for reviewing and evaluating the process by which it seeks to obtain "best execution". These guidelines are designed to fairly evaluate the overall quality and costs of a broker's execution services, including prices, commission rates (or markups or markdowns, with respect to certain types of riskless principal transactions), speed of execution, the operational facilities of the broker (including back-office and processing capabilities), the type and size of the transaction, the creditworthiness and stability of the broker, the broker's reputation for reliability and financial responsibility, and the broker's provision or payment (or rebates to the Firm for payment) of the costs of brokerage or research products or services that RBA considers to be of benefit to its clients. The Firm need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Accordingly, if RBA determines in good faith that the commissions (or markups or markdowns, as the case may be) charged by a broker are reasonable in relation to the value of the brokerage or research products or services provided by such broker, the Firm's accounts may (if and to the extent consistent with current SEC interpretation and guidance) pay commissions to such broker in excess of the amount another broker might have charged (*cf.* "Research and Other Soft-Dollar Benefits", above.) If RBA decides, based on the factors set forth above, to execute transactions through Alternative Trading Systems ("ATs"), such as electronic communications networks, "dark pools" or broker-dealer internalization systems, it will also consider, when choosing among ATs, such factors as liquidity provided, relative ease of use, flexibility, and the level of care and attention given to orders.

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RBA maintains policies and procedures on trading-related matters as part of its Compliance Guidelines, and has established a Brokerage Committee, comprised of investment and financial professionals within the Firm (among them, its director of trading and its chief financial and investment officers), to provide oversight. The Brokerage Committee will meet periodically to approve brokers for the execution of client orders, review the quality of executions, and consider all policy issues related to commissions and trading. The Firm's traders will place client orders for execution only with brokers previously approved by its Brokerage Committee.

RBA may open "average-price" accounts with brokers. In such an account, buy and sell orders placed during a trading day on behalf of two or more client accounts are combined, and securities bought or sold pursuant to such orders are allocated among all participating accounts on an average-price basis. On partial fills, trade executions will generally be allocated across participating client accounts ratably, based on the number of shares on order for each such account; and trade orders will generally be allocated across client accounts ratably, based on the accounts' respective AUM. Any exception to those *pro rata* allocation protocols (*cf.* "Order Aggregation", below) will require an explanation (that, in the case of partial fills, will have to be entered in the Firm's Order Management System before that system will allow the trade to be posted), and the system (or, in the case of a non-ratable allocation of orders, the analyst or portfolio manager) will then generate an exception report for purposes of compliance monitoring and review.

From time to time, RBA may execute over-the-counter trades on an agency, rather than a principal, basis. In these situations, the executing broker may acquire or dispose of a security through a market-maker (a practice known as "interpositioning"). The transaction may thus be subject to both a commission and a markup or markdown. RBA believes that the use of a broker in such instances is consistent with the Firm's duty to seek best execution for its clients. The use of a broker can provide anonymity in connection with a transaction. In addition, a broker may, in certain cases, have greater expertise or capability in connection with both accessing the market and executing a transaction.

From time to time, RBA may cause a client's account to engage in a "step-out" transaction, in which the account pays commissions in respect of the transaction to one broker, but the transaction is executed by a different broker. RBA will only engage in step-out transactions on behalf of a client to the extent that doing so is consistent with best execution.

## 5. Trade Errors.

RBA may on occasion experience errors with respect to trades executed on behalf of client accounts. Trade errors may result from a variety of situations, including, for example, the placement of orders (either purchases or sales) in excess of the amount of securities intended; the sale of a security when it should have been purchased; the purchase of a security when it should have been sold; the purchase or sale of the wrong security; the purchase or sale of a security contrary to regulatory restrictions or client investment

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guidelines or restrictions; and incorrect allocations of securities (*cf.* "Order Aggregation", below). Errors that do not result in transactions in client accounts (such as errors that result in the loss of an investment opportunity) will not be viewed as trade errors. RBA will endeavor to detect trade errors prior to settlement and correct and/or mitigate them expeditiously and in such a manner that clients incur no loss. In the case of a trade error caused by third-party (*e.g.*, counterparty) mistake, RBA will attempt to recover from such third party any losses resulting from such error. RBA will generally reimburse losses suffered by client accounts that are not registered investment companies managed or sub-advised by RBA ("RIC Clients") only to the extent such losses result from a trade error caused by RBA's gross negligence or willful misconduct. To the extent a trade error results from a mistake by a third party (*e.g.*, a counterparty, such as an executing broker), RBA will attempt to recover any resulting losses on behalf of the affected client account(s); but if and to the extent any such losses are not recovered after a reasonable effort, clients other than RIC Clients will generally not be reimbursed by RBA for such losses. Losses suffered by clients other than RIC Clients that are the result of action taken by RBA at the direction of an unaffiliated third party authorized to direct RBA to take such action will generally not be reimbursed. RBA may, however, in its discretion, choose to reimburse non-RIC Clients for trade-error losses even if not obligated to do so. RBA will reimburse RIC Clients for all losses incurred from trade errors, including, without limitation, errors caused by third-party mistake, regardless of whether or not RBA is successful in recovering such losses from the responsible third party. RBA has established, as part of its Compliance Guidelines, internal policies and procedures regarding the manner in which such trade-error resolutions and, if applicable, reimbursements are to be made. In making such determinations, RBA may have a conflict of interest (for example, with respect to a client other than a RIC Client, RBA will have to determine whether a trade-error loss was caused by RBA's gross negligence, in which case such loss will generally be reimbursable, or simple negligence, in which case it will not). In addition, gains from trade errors will not be used to offset losses from trade errors (*i.e.*, there is no "netting" of trade errors), unless the applicable trades constitute a single transaction (for example, when both "legs" of a combined long and short order are executed incorrectly), and soft dollars will not be used to correct trade errors.

#### B. Order Aggregation.

RBA may provide investment management (including sub-advisory) services to more than one fund or SMA, whose respective investment mandates (and corresponding investment programs) might or might not be the same or substantially similar. It is the Firm's policy to allocate investment opportunities among participating accounts fairly and equitably over time. While this generally means that each such opportunity will be allocated on a *pari passu* (ratable) basis among those accounts for which participation in that opportunity is considered appropriate, in accordance with the relative sizes of those different accounts' respective investment portfolios, RBA may also consider other factors, including, for example, differences among accounts based on their respective investment objectives and programs, cash availability, projected liquidity needs, existing portfolio positions, and tax

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considerations; any relevant legal restrictions, including any that might arise in foreign jurisdictions; and the desirability of avoiding a possible odd-lot or *de minimis* allocation. Such considerations, among others, could result in allocations of certain investments among RBA funds and SMAs on other than a *pari passu* basis, which could result in differential performance among those funds and SMAs, despite their having the same or substantially similar investment programs. RBA will have no obligation to purchase, sell or exchange for one client a security or other financial instrument that it purchases, sells or exchanges for another client, if RBA believes in good faith at the time the investment decision is made, based on such considerations, that the subject transaction would be unsuitable or impractical for a particular client.

If the Firm determines that the purchase, sale or exchange of the same security is in the best interests of more than one fund or SMA, it may (but is not obligated to) aggregate orders in order to reduce transaction costs to the extent permitted by law. When an aggregated order is filled through multiple trades at different prices on the same day, each participating client account will receive the same average price, with transaction costs allocated *pari passu* based on the size of each account's participation in the order (or allocation, in the event of a partial fill), as determined by RBA. In the case of a partial fill, allocations generally will be made *pari passu* based on the initial order, but may be modified on a basis that the Firm deems appropriate, including, for example, in order to avoid odd-lot or *de minimis* allocations.

A separate, independently-rotating list is maintained for those platforms for which RBA does not have trade discretion. The communication of the current portfolio allocation is rotated among the platforms on this list. After these platforms have been provided the latest portfolio allocation, the schedule is moved up in order, and the next platform is put first on the list for the next rebalance.

RBA's discretionary accounts and accounts to which RBA provides model portfolio services may trade the same securities at the same time. In these circumstances, RBA will effect trading on the behalf of its clients and deliver model providers portfolio updates in a manner which it believes to be fair and equitable. Due to the nature of the trade rotation process, trading for RBA's discretionary accounts may be conducted at the same time as trading being conducted by model sponsors or accounts where the firm is not granted trading discretion. As a result, RBA's discretionary accounts may obtain more favorable execution prices than model portfolio accounts or vice versa.

## **ITEM 13 – REVIEW OF ACCOUNTS**

### **A. Frequency and Nature of Review of Client Accounts**

In connection with any fund or SMA for which RBA acts as investment manager or adviser, RBA will oversee any portfolio manager(s) actively engaged in managing the respective portfolio. RBA's team of investment professionals, including its CIO, will review each such

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portfolio's investments on a regular basis, as well as review investment opportunities on a regular basis.

Client accounts are generally invested according to one of RBA's model portfolios. Variations in account-specific factors such as investment restrictions, the timing and amount of cash flows, and clients' custodian limitations will cause client accounts to vary from the model portfolio, which itself is a representative client account that may have limitations of its own. Accounts are monitored for compliance with investment restrictions on a pre-trade and post-trade basis.

**B. Factors Prompting Review of Client Accounts on Other than a Periodic Basis.**

Certain market, geopolitical or economic events may prompt more frequent reviews.

**C. Content and Frequency of Account Reports to Clients.**

Statements containing portfolio information and performance results are distributed to clients monthly, quarterly or periodically, based upon client needs or preferences. In addition, formal meetings with clients are arranged quarterly, semi-annually, or annually at the request of the clients based on their need to discuss their portfolio and performance results. Wrap program clients should consult their program's disclosure statement for the types of reports they will receive from the program sponsor. Clients will receive account statements from their custodian. We encourage clients to review the account statements sent directly by their custodian to confirm the holdings and transactions in their accounts. Any statement sent directly by RBA is not intended to be a substitute for account statements and other reports provided directly by the custodian. If a client does not receive an account statement from its custodian, RBA encourages the client to follow-up directly with its custodian. Depending upon a client's arrangements with its custodian, the client and/or its custodian will receive trade confirmations from the broker-dealers that execute trades on its behalf.

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

RBA does not receive any compensation from any third party in connection with providing investment advice.

As described above, third-party solicitors, for example, unaffiliated broker/dealers and investment advisers, who are directly responsible for bringing a client, may receive compensation from us for client referrals. Under these arrangements, the client will not pay higher fees than the normal/typical advisory fees. Such arrangements will comply with the requirements set forth under the Investment Advisers Act of 1940 and/or applicable law, including a written agreement between RBA and the solicitor. Third-party solicitors must provide a copy of the RBA's Brochure and a separate solicitor's disclosure statement regarding the relationship between the solicitor and the Firm to the prospective client at

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the time of the solicitation or referral. The prospective client will be requested to acknowledge this arrangement prior to acceptance of the account for advisory services.

A conflict of interest may exist due to the nature of the arrangements whereby a financial intermediary is incentivized by a referral fee. Referral fees paid to a third-party solicitor are contingent upon a client engaging RBA to provide investment management services.

To the extent permitted by applicable law, the compensation of certain RBA personnel whose job responsibilities are related primarily to marketing, sales, or business development may be determined based in part on the amount of new client fees generated by their efforts. Accordingly, RBA personnel may have a conflict of interest in recommending products where RBA personnel receive compensation over other products where no compensation may be paid.

## **ITEM 15 – CUSTODY**

RBA does not act as a custodian for client assets. For SMA clients, RBA may directly debit client accounts for the payment of advisory fees but does not take physical custody of any client funds and/or securities. Funds and securities will be held with a bank, broker-dealer or other independent, qualified custodian. Clients receive account statements monthly from the independent, qualified custodian holding their funds and securities. The account statements from the custodian will indicate the amount of advisory fees deducted from the account each billing period. Clients should carefully review account statements for accuracy.

In the case of the funds or UITs advised or sub-advised by RBA, arrangements have been made with qualified custodians as disclosed in the relevant offering documents.

If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact RBA at 212-692-4000.

## **ITEM 16 – INVESTMENT DISCRETION**

### ***Advisory Services***

RBA will generally, in the case of funds and some SMAs, have full discretionary authority to trade, invest and manage its clients' assets on a day-to-day basis, including the discretionary authority to determine the securities to be bought or sold by or on behalf of clients, the amount to be bought or sold, the broker to be used for each transaction, and the commission rates (or markups or markdowns, with respect to certain types of riskless principal transactions) to be paid.

When selecting securities and determining amounts to be bought or sold on behalf of clients, RBA observes the respective clients' investment guidelines, policies, limitations and



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restrictions. For RIC Clients, RBA's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines, policies, limitations and restrictions must be provided to RBA in writing by the respective client, generally at the outset of the advisory relationship.

### ***Index Provider Services***

RBA does not have investment discretion or manage client assets in connection with its Index Provider Services.

## **ITEM 17 – VOTING CLIENT SECURITIES**

### ***Advisory Services***

#### **A. Policies and Procedures Relating to Voting Client Securities.**

Certain investments that RBA makes on behalf of its clients may be in securities that carry voting rights. The SEC has adopted Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended, which requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies. In compliance with that Rule, RBA has adopted, as part of its Compliance Guidelines, proxy voting policies and procedures (the "Proxy Policies"). The general policy is to vote proxy proposals, amendments, consents or resolutions (collectively, "proxies"), if any, relating to client securities in a manner that serves the best interests of the relevant client(s), as determined by RBA in its discretion, taking into account the following factors, among others: the anticipated impact on the value of portfolio investments; the anticipated associated costs and benefits; the anticipated impact on the continued availability of portfolio information; and customary industry and business practices. RBA will abstain from voting (which generally requires submission of a proxy voting card), or affirmatively decide not to vote, if RBA determines that abstaining from or not voting is in the best interests of the relevant client(s). In making such a determination, RBA will consider a range of factors, including, but not limited to: the costs (*e.g.*, of translation or travel) associated with exercising the proxy; any legal restrictions on trading resulting from its exercise of the proxy; and whether RBA has already sold the underlying securities since the record date for the proxy. RBA may engage an independent, third-party proxy voting service (such as Risk Metrics Group) to assist it in discharging its proxy-voting obligations; in that case, the proxy-voting policies and procedures, or guidelines, of such third party will control (except insofar as modified by RBA). RBA currently has such an arrangement in place with Risk Metrics Group/Institutional Shareholder Services Inc.

A copy of RBA's Proxy Policies (including any such third-party policies and procedures, or guidelines, if applicable) and related voting records will be provided to any client or prospective client upon request.

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B. No Authority to Vote Client Securities and Client Receipt of Proxies.

RBA currently has proxy-voting responsibility for the mutual funds for which it acts as sub-adviser. RBA ensures that proxies are voted in accordance with the mutual funds' and the Firm's proxy voting policies.

You may obtain a copy of RBA's Proxy Policy and information about how RBA voted a client's proxies by calling RBA at 212-692-4000.

***Index Provider Services***

Proxy voting is not applicable to RBA's Index Provider Services business.

**ITEM 18 – FINANCIAL INFORMATION**

There is no information applicable to this item.



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## **PRIVACY NOTICE**

### **RICHARD BERNSTEIN ADVISORS LLC**

Your privacy is very important to us. This Privacy Notice sets forth our policies with respect to non-public personal information about our investors and managed account clients and prospective and former investors and managed account clients. These policies apply to investors in our Funds and other managed account clients and may be changed at any time, provided a notice of such change is given to you.

You provide us with personal information, such as your address, social security number, assets and/or income information, (i) in the Subscription Agreement and related documents, (ii) in correspondence and conversations with the us and our representatives and (iii) through transactions in the Fund.

We do not disclose any of this non-public personal information about our investors, managed account clients or prospective or former investors or managed account clients to anyone, other than to our affiliates, such as our management company, and except as permitted by law, such as to our accountants, attorneys, auditors, brokers, regulators and certain service providers, in such case, only as necessary to facilitate the acceptance and management of your investment or account and our relationship with you.

We will also release information about you if you direct us to do so, if compelled to do so by law, or in connection with any government or self-regulatory organization request or investigation. For example, it may be necessary, under anti-money laundering and similar laws, to disclose information about investors or managed account clients in order to accept subscriptions from them.