

# Firm Brochure – Form ADV Part 2A



Institutional  
Investment Advisers

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Greenville, SC 29601  
864-527-0600

April 24, 2017

This Brochure provides information about the qualifications and business practices of BB&T Institutional Investment Advisers, Inc. If you have any questions about the contents of this Brochure, please contact us at the number or address shown above. 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.

BB&T Institutional Investment Advisers, Inc. is an SEC registered investment adviser. Registration of an investment adviser does not imply any level of skill or training

Additional information about BB&T Institutional Investment Advisers, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This brochure replaces the brochure dated March 31, 2017. The following are material changes to report since the firm's April 1, 2016 filing:

### **Summary of Material Changes**

**August 1, 2016** – For client accounts and assets from its acquisition of Institutional Advisers LLC, BB&T Institutional Investment Advisers, Inc. replaced the former qualified custodian, National Penn Investors Trust Company located at 1340 Broadcasting Road, Wyomissing, PA 19610 with the qualified custodian Branch Banking & Trust Company located at 223 West Nash Street, Wilson, NC 27893.

**September 19, 2016** – BB&T Institutional Investment Advisers, Inc. relocated its Principal Office and Place of Business from 3 Independence Pointe, Suite 10, Greenville, SC 29615 to its current address at 301 College Street, Floor 2, Greenville, SC 29601.

Also pursuant to SEC Rules, we will ensure that you receive a summary of material changes and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Sharon Eskew at 864-527-0642 and will be provided to you, without charge.

Additional information about BB&T Institutional Investment Advisers, Inc. is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Adviser who are registered, or are required to be registered, as investment adviser representatives of BB&T Institutional Investment Advisers, Inc.

Although BB&T IIA may use the term "registered investment adviser" or use the term "registered" throughout this Form ADV Part 2A, the use of these terms is not intended to imply a certain level of skill or training.

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## **Item 4 – Advisory Business**

### ***A. Description of our Firm:***

BB&T Institutional Investment Advisers, Inc. (“BB&T IIA”) is an SEC-registered investment advisory firm established in 1992 and is a wholly-owned subsidiary of Branch Banking and Trust Company (“BB&T”), BB&T is a banking subsidiary and is owned by BB&T Corp, a bank holding company headquartered in Winston-Salem, North Carolina. All of the BB&T firms described above are considered “affiliates” of BB&T IIA.

BB&T IIA is headquartered in Greenville, SC and has offices in North Carolina, Virginia, Georgia, Florida, Tennessee, Maryland, Pennsylvania, West Virginia, and Kentucky.

### ***B. Types of Advisory Services We Offer:***

BB&T IIA provides investment consulting and discretionary investment management services to Employee Retirement Income Security Act of 1974 (“ERISA”) and Non-ERISA employee plans, local government employee retirement plans, foundations, endowments, deferred compensation programs, bank or thrift institutions, corporate investment accounts, and certain high net worth individuals. Specific retirement plan needs, anticipated cash flows, risk tolerance, ERISA’s diversification mandate and the retirement plan’s legal framework are considered in developing an investment management process. Along with open and closed-ended mutual funds and group annuity contracts, BB&T IIA also offers advice to its clients on stable value funds that are organized under the Investment Company Act of 1940, as well as managed separate accounts and pooled accounts of Registered Investment Advisers. We accept the direction of our clients regarding which securities and asset classes are allowed in their portfolios.

We also provide specialized investment management services to BB&T for some of their trust clients using proprietary investment strategies that focus on domestic stocks as well as high quality bonds along with open and closed-ended mutual funds. We do not typically manage real estate or tangible/physical assets, or employ options, futures, or other complex asset structures.

BB&T IIA provides both discretionary and non-discretionary advisory and consulting services on investment manager selection and provides ongoing

manager monitoring for our clients pursuant to the client's Investment Policy Statement (hereinafter "IPS") and other restrictions. We will negotiate with clients and customize investment guidelines, including accepting additional or different limitations if we believe we can effectively manage the account. For ERISA plans, these services are provided pursuant to ERISA section 3(21) for non-discretionary engagements and ERISA section 3(38) for discretionary engagements. When operating under a discretionary engagement BB&T IIA takes fiduciary responsibility for making investment decisions pursuant to the guidelines and restrictions detailed in the client's IPS. When operating under a non-discretionary engagement, BB&T IIA will make recommendations to the client pursuant to the guidelines and restrictions detailed in the client's IPS but the client retains fiduciary responsibility to act on any recommendations provided.

#### **BB&T Master Collective Investment Trust**

BB&T IIA is the investment advisor for the Branch Banking and Trust Company Retirement & Institutional Services (RIS) LargeCap Equity Fund, MidCap Equity Fund, Diversified Mangers Equity Fund, and Income Fund, each a collective investment fund under the Branch Banking and Trust Company Collective Investment Trust (the "Trust"). Branch Banking and Trust Company (through its Retirement and Institutional Services Division) serves as Trustee of the Trust. The Trust, and each of the underlying funds, is regulated by the North Carolina Office of the Commissioner of Banks and is available only to certain eligible investors.

#### ***C. Other Advisory Services:***

BB&T IIA works on a retained, ongoing basis and is also engaged to perform project work such as vendor searches, fiduciary studies, allocation studies, and expense studies, etc. for its clients.

Some of BB&T IIA's clients will also be clients of BB&T that provides fee-based administrative services, custodial and trust services including, but not limited to, employee benefit plans.

#### ***D. Wrap Fee Programs:***

BB&T IIA does not currently participate in any wrap fee programs.

### ***E. Advisory Assets under Our Administration:***

As of 12/31/2016, the total amount of assets under advisement was \$6,119,778,623. On a non-discretionary basis the amount was \$3,128,065,252. The amount under advisement on a discretionary basis was \$2,991,713,371.

## **Item 5 – Fees and Compensation**

### **Participant Directed Accounts**

Fees for services may be calculated as a percentage of assets under management on a sliding scale as follows:

#### **\*Bundled Discretionary Services**

Assets less than \$2,500,000.....	40 bps
Assets from \$2,500,000 but less than \$3,500,000.....	32 bps
Assets from \$3,500,000 but less than \$7,500,000.....	25 bps
Assets from \$7,500,000 but less than \$10,000,00.....	17 bps
Assets from \$10,000,000 but less than \$15,000,000.....	14 bps
Assets from \$15,000,000 but less than \$20,000,000.....	12 bps
Assets from \$20,000,000 but less than \$30,000,000.....	8 bps
Assets over \$30,000,000 .....	5 bps

#### **\*Bundled Non-Discretionary Services**

Assets less than \$2,500,000.....	35 bps
Assets from \$2,500,000 but less than \$3,500,000.....	28 bps
Assets from \$3,500,000 but less than \$7,500,000.....	21 bps
Assets from \$7,500,000 but less than \$10,000,00.....	14 bps
Assets from \$10,000,000 but less than \$15,000,000.....	11 bps
Assets from \$15,000,000 but less than \$20,000,000.....	9 bps
Assets from \$20,000,000 but less than \$30,000,000.....	5 bps
Assets over \$30,000,000 .....	3 bps

\* *Bundled services include the recordkeeping and fiduciary services provided by BB&T Retirement & Institutional Services which is an affiliate of BB&T Institutional Investment Advisers, Inc.*

### **Small Plan Select Services**

All Assets ..... 8 bps

### **Non-Bundled Discretionary Services**

Assets less than \$2,500,000..... 40 bps

Assets from \$2,500,000 but less than \$3,500,000..... 32 bps

Assets from \$3,500,000 but less than \$7,500,000..... 25 bps

Assets from \$7,500,000 but less than \$10,000,000..... 17 bps

Assets from \$10,000,000 but less than \$15,000,000..... 14 bps

Assets from \$15,000,000 but less than \$20,000,000..... 12 bps

Assets from \$20,000,000 but less than \$30,000,000..... 8 bps

Assets over \$30,000,000 ..... 5 bps

Minimum Fee \$15,000 Annually

### **Non-Bundled Consulting and Investment Advisory Services – Discretionary and Non-Discretionary**

Assets less than \$7,500,000..... 50 bps

Assets from \$7,500,000 but less than \$10,000,000..... 40 bps

Assets from \$10,000,000 but less than \$15,000,000..... 30 bps

Assets from \$15,000,000 but less than \$25,000,000..... 25 bps

Assets from \$25,000,000 but less than \$50,000,000..... 20 bps

Assets from \$50,000,000 but less than \$75,000,000..... 15 bps

Assets from \$75,000,000 but less than \$100,000,000..... 10 bps

Assets from \$100,000,000 but less than \$250,000,000..... 5 bps

Assets over \$250,000,000 ..... Negotiable

Minimum Fee \$25,000 Annually

## **Portfolio Management Services**

### **\*Bundled Mutual Fund Only Portfolios**

Assets less than \$5,000,000.....	36 bps
Assets from \$5,000,000 but less than \$10,000,000.....	25 bps
Assets from \$10,000,000 but less than \$25,000,000.....	11 bps
Assets over \$25,000,000 .....	1 bps

### **Equity Portfolios and Accounts Invested with Multiple Mandates**

Assets less than \$2,000,000.....	90 bps
Assets from \$2,000,000 but less than \$5,000,000.....	60 bps
Assets from \$5,000,000 but less than \$15,000,000.....	50 bps
Assets over \$15,000,000 .....	40 bps
Minimum Annual Fee \$2,500	

### **Core and Taxable Fixed Income Portfolios**

Assets less than \$2,000,000.....	50 bps
Assets from \$2,000,000 but less than \$5,000,000.....	40 bps
Assets from \$5,000,000 but less than \$15,000,000.....	30 bps
Assets over \$15,000,000 .....	25 bps
Minimum Annual Fee \$5,000	

### **Short Duration and Intermediate Government Fixed Income Portfolios**

Assets less than \$10,000,000.....	30 bps
Assets from \$10,000,000 but less than \$25,000,000.....	20 bps
Assets over \$25,000,000 .....	15 bps
Minimum Annual Fee \$3,000	

### **Short-term Asset Management**

Assets less than \$10,000,000.....	25 bps
Assets from \$10,000,000 but less than \$25,000,000.....	15 bps
Assets over \$25,000,000 .....	10 bps
Minimum Annual Fee \$2,500	

*\* Bundled services include the asset custody services provided by BB&T Retirement & Institutional Services which is an affiliate of BB&T Institutional Investment Advisers, Inc.*



### **BB&T Master Collective Investment Trust**

There are no management fees charged to the BB&T Master Collective Investment Trust, including the RIS LargeCap Equity Fund, MidCap Equity Fund, Diversified Mangers Equity Fund, and Income Fund. The only expenses incurred by the Trust are the cost of annual audits. In accordance with Trust provisions and as disclosed in each annual audited financial report for the Trust, the annual cost of auditing the funds shall be borne by each respective fund.

### **Staff Assigned Hourly Fee Rate**

Investment Portfolio Manager	\$250
Investment Research Analyst	\$175
Production Specialist	\$125
Administrative Assistant	\$60

**Fees may also be determined by reference to a previously negotiated asset based schedule or flat fee that is client specific.** Fees for certain limited or special circumstance engagements may also be determined by reference to a fixed dollar fee as stated in the contract for services.

Except for group annuity products, fees are payable quarterly in arrears based upon the average assets, determined at month-end for the prior period. The first payment is assessed and due at the end of the first calendar quarter and will be assessed pro rata in the event the Investment Advisory Agreement is executed at any time other than the first day of the current calendar quarter. Subsequent payments are due and will be assessed on the first day of each new quarter. Fees for group annuity products are payable either monthly or quarterly based on the group annuity provider. Fees will be assessed based on the assets determined at month-end of the prior month for monthly fees or calendar quarter-end of the previous calendar quarter for quarterly fees.

Fees may be negotiated (increased or decreased) for accounts:

- \*expected to have a substantial change in assets under management
- \*based on any special circumstance that may exist, or
- \*based on any additional special service requested.

The fee charged will not be provided on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client (SEC Rule 205(a)(1)).

A client agreement may be canceled, by either party, for any reason upon receipt of 60 days written notice. BB&T IIA may bill for its services or deduct its fees from the client portfolio as agreed to by the client. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any earned, unpaid fees will be due and payable.

All fees paid to BB&T IIA for investment advisory services are separate from the fees and expenses charged to shareholders of mutual fund shares by the mutual funds or unit holders of Group Annuity Contracts by insurance companies. A complete explanation of these expenses charged by the mutual funds is contained in each mutual fund's prospectus. Also, all fees paid to BB&T IIA for investment advisory services are separate from the fees and expenses which may be charged by other Third Party investment managers, custodian fees and other service providers.

Some BB&T IIA clients may direct a third party, such as an independent broker-dealer or related party, such as Stanley, Hunt, DuPree & Rhine or BB&T Corporation to pay a portion of the advisory fees otherwise due. In all cases, the compensation received by BB&T IIA is not affected by the client's decision as to the source of the fee payments.

## **ADDITIONAL COMPENSATION**

BB&T IIA receives compensation directly from BB&T under an agreement to provide investment management services to some trust clients.

Clients using the services of BB&T may be required by BB&T to use a designated affiliated or unaffiliated broker-dealer in order to receive credit for certain fee reimbursements. BB&T IIA is not a direct party to and does not benefit from those arrangements.

Commissions and other compensation may be received by BB&T for actuarial, consulting, recordkeeping and other services outside the scope of BB&T IIA's advisory contract.

BB&T IIA will not have the authority to withdraw funds or take custody of client funds or securities.

BB&T IIA does not have any solicitation agreements or arrangements with any other parties although other BB&T Corp subsidiaries or affiliates do.

Advisory fees that clients pay to us do not include all the fees they may pay when we purchase or sell securities for their account. Some fees and expenses are paid directly to third parties, and we do not receive, directly or indirectly, any of these fees charged to clients. Examples of such fees are: brokerage commissions, transaction fees, exchange fees, SEC fees, advisory and administrative fees charged by mutual funds or exchange-traded funds, advisory fees charged by sub-advisers, custodial fees, deferred sales charges on mutual funds, odd-lot differentials, and transfer taxes. Refer to Item 12 below.

When BB&T IIA makes a recommendation for a client to include a mutual fund in its platform, BB&T IIA will, as a matter of practice, recommend the lowest available share class for that fund. However, certain 3(21) clients may direct us, for ERISA spending purposes, to recommend a share class that is not the lowest possible share class. BB&T IIA will implement such instructions only when not acting in a co-fiduciary capacity and reminds such clients of their fiduciary responsibility to plan participants.

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

BB&T IIA does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

#### **Item 7 – Types of Clients**

BB&T IIA provides investment consulting and portfolio management services to ERISA and Non-ERISA employee benefit plans, local and state government employee retirement plans, foundations, endowments, deferred compensation programs, defined contribution plans, defined benefit plans, banks or thrift institutions, corporate investment accounts, and other BB&T Wealth accounts. BB&T IIA does not have minimum account balance requirements for initiating or maintaining an investment advisory relationship; however, we do have minimum fees for certain arrangements as detailed in Item 5. BB&T IIA also provides investment management services to BB&T under agreement for some trust clients.

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

**“Investing in securities involves risk of loss that clients should be prepared to bear.”**

## **A. Methods of Analysis**

When analyzing investments for clients, BB&T IIA gathers information from national investment firms that maintain databases of performance data, and prepare analyses of specific managers. Peer universes, passive indexes, multi-factor and mean-variance computer programs are also tools used to design strategies and evaluate performance and risk. Specific information regarding investments is gathered through analysis of published prospectuses as well as direct interviews with investment managers in person, by telephone and by written inquiry. These sources of information provide a framework for determining the potential returns and risks of the investments which are matched against client goals. The investments recommended by BB&T IIA change as information regarding those investments changes, and as the needs of each client change. The basis upon which investments are selected for recommendation may differ between discretionary and non-discretionary engagements. The implementation of any investment recommendations for discretionary engagements is based on BB&T IIA's sole discretion while implementation of investment recommendations for a non-discretionary engagement is left solely to the client.

BB&T IIA has also designed investment processes to manage portfolios for which BB&T is either trustee or agent for clients. In the equity area, we obtain data on current and potential stocks for client portfolios, we perform a thorough analysis of the universe of available companies relative to the overall market and their specific industry sector, and we rank them according to their investment merits. Part of this work includes elements of quantitative analysis enhanced with an overlay of technical analytics to identify stocks that are expected to perform well. Finally, portfolios are constructed using these rankings within a disciplined framework to provide diversification by style (growth versus value), market capitalization, company, industry sector, and industry sub-sector.

Our fixed income work focuses on quality, highly liquid debt securities of the US government, US agencies, and domestic corporations. An analysis of the relevant benchmark index, colored by our short- and intermediate-term view of the economic and investment climate, drives our portfolio structure decisions.

We periodically select external sub-advisors, either through separately-managed accounts or mutual funds, for specialty investment areas of client portfolios, such as domestic small-cap equity or international developed equity. We analyze potential sub-advisors for process, style, management experience, performance, fees, and consistency of results, among other factors. Following selection, these

managers are monitored and are subject to replacement as we deem to be in our clients' best interests.

## **B. Investment Strategies**

**LargeCap Core Equity Strategy:** This domestic equity strategy focuses on large-sized companies and seeks a total investment return that exceeds the benchmark while lessening risk as measured by volatility. Using a concentrated portfolio approach, we draw approximately 35 securities from the universe of members of the Standard and Poor's 500 Index. The management technique uses the proprietary analysis described in item 8A to produce a core portfolio that includes elements of both Growth and Value investment styles. Stocks selected for this investment strategy are done so with the goal of holding them for a long-term time period, but changing circumstances could result in their sale in a short time period. Performance of this strategy is measured against the S&P 500 Index.

Historically, turnover for this strategy has been low by industry standards which tends to enhance total return through lower than average transaction costs.

**MidCap Core Equity Strategy:** This domestic equity strategy focuses on medium-sized companies and seeks a total investment return that exceeds the benchmark while lessening risk as measured by volatility. Using a concentrated portfolio approach, we draw up to 50 securities from the universe of domestic companies with a market capitalization between \$500 million and \$10 billion at the time of purchase. The management technique uses the proprietary analysis described in item 8A to produce a core portfolio that includes elements of both Growth and Value investment styles. Stocks selected for this investment strategy are done so with the goal of holding them for a long-term time period, but changing circumstances could result in their sale in a short time period. Performance of this strategy is measured against the S&P 400 Index.

Historically, turnover for this strategy has been low by industry standards which tends to enhance total return through lower than average transaction costs.

**AllCap Core Equity Strategy:** This domestic equity strategy includes large-, mid-, and small-sized companies and seeks a total investment return that exceeds the benchmark while lessening risk as measured by volatility. Using a concentrated portfolio approach, we draw up to 45 securities from the universe of actively-traded domestic equities. The management technique uses the

proprietary analysis described in item 8A to produce a core portfolio that includes elements of both Growth and Value investment styles and a defined allocation based upon market capitalization. Stocks selected for this investment strategy are done so with the goal of holding them for a long-term time period, but changing circumstances could result in their sale in a short time period. Performance of this strategy is measured against the S&P 1500 Index.

Historically, turnover for this strategy has been low by industry standards which tends to enhance total return through lower than average transaction costs.

**Socially Responsible Equity Strategy:** This equity strategy employs the same stock selection and diversification principles as our LargeCap, MidCap, and AllCap strategies except it limits its purchases to members of the MSCI KLD 400 Index. This index is designed to provide exposure to the stocks of companies that KLD determines have positive Environmental, Social, and Governance characteristics and consists of approximately 400 companies drawn from the universe of the 3,000 largest US public equities as measured by float-adjusted market capitalization. Performance of this strategy is measured against the MSCI KLD 400 Social Index.

If you use this strategy, your return will likely be different than if you had not limited investments to socially responsible companies. While we cannot know if this limitation will reduce or increase your return, you should consider this difference when making your strategy decision.

**Diversified Managers Equity Strategy:** This equity strategy blends four types of mutual or closed end investment funds that generally invest in large market capitalization companies, medium market capitalization companies, small market capitalization companies, and international companies, and includes a small exposure to non-traditional assets which serves to diversify the composition of the strategy. Periodically, we review the strategy to determine the allocation of assets to each group and the specific fund selections. Performance in this strategy is measured against a blended benchmark of the S&P 500 Index, the S&P 400 Index, the Russell 2000 Index, and the MSCI EAFE.

**Socially Responsible Balanced Strategy:** The equity portion of this strategy employs the same stock selection and diversification principles as our LargeCap, MidCap, and AllCap strategies except it limits purchases to members of the MSCI KLD 400 Index. This index is designed to provide exposure to the stocks of companies that KLD determines have positive Environmental, Social, and Governance characteristics and consists of approximately 400 companies drawn

from the universe of the 3,000 largest US public equities as measured by float-adjusted market capitalization. The fixed income portion is invested in bonds that are selected in accordance with our Taxable Fixed Income strategy but exclude government and corporate bonds that we determine do not meet a socially responsible mandate. Performance of this strategy is measured against a blend of the MSCI KLD 400 Social Index and Barclays Capital Government/Credit Bond Index.

If you use this strategy, your return will likely be different than if you had not limited investments to socially responsible companies. While we cannot know if this limitation will reduce or increase your return, you should consider this difference when making your strategy decision.

**Diversified Managers Taxable Fixed Income Strategy:** This strategy seeks total investment return including reasonable income through the use of external mutual funds. We screen the universe of available funds for candidates, select those that have characteristics and management processes to achieve the strategy's goals, and invest in those funds in proportions that we deem appropriate. Ongoing, we monitor the mutual funds and replace those that we no longer prefer due to performance or investment style. Performance of this strategy is measured against the Barclays Capital U.S. Aggregate Index.

**Diversified Managers Tax Free Fixed Income Strategy:** This strategy seeks total investment return including reasonable income through the use of external mutual funds. We screen the universe of available funds for candidates, select those that have characteristics and management processes to achieve the strategy's goals, and invest in those funds in proportions that we deem appropriate. Ongoing, we monitor the mutual funds and replace those that we no longer prefer due to performance or investment style. Performance of this strategy is measured against the Barclays Capital Municipal Bond Index.

**Core Fixed Income Strategy:** The Core Fixed Income Strategy seeks total returns that exceed the benchmark through active management of a fixed income security portfolio that may include mortgage-backed securities. Our fixed income team uses independent research, macro-economic tools, and in-house analysis to identify major variables impacting the economy. This research provides an awareness of the trends currently shaping interest rate direction and yield curve slope. Further analysis supports portfolio construction and leads to the establishment of a portfolio duration which is +/- 20% of the benchmark as well as implementation of a yield curve strategy. This is followed by relative spread analysis to determine sector allocation. Security selection is completed once

individual issues are evaluated on a basis of spread, characteristics, liquidity and quality. A continual reassessment of trends in a dynamic market environment, as well as security specific events, determines buy/sell decisions in a portfolio.

The fixed income team closely monitors all sectors within the benchmark and specific issues that are compatible with our investment process and policy guidelines. This strategy is designed to make measured judgments regarding portfolio structure relative to the benchmark Barclays Capital U.S. Aggregate Bond Index.

**Taxable Fixed Income Strategy:** The Taxable Fixed Income Strategy seeks total returns that exceed the benchmark through active management of a fixed income security portfolio with heavy emphasis on current yield. The investment strategy may utilize various debt securities, including those of the U.S. Treasury, U.S. Government Agencies, and investment grade U.S. corporations, as well as various asset-backed bonds and preferred stock. Securities selected have intermediate to long maturities. Broad investment themes are consistent with BB&T IIA's full duration portfolio. This strategy is designed to control portfolio structure relative to the benchmark Barclays Capital US Government/Credit Bond Index. The fixed income team seeks to minimize risk through diversification by issuer and maturity with no more than 10% in any issue other than the US Treasuries and US Government Agencies.

**Short Term Asset Management (“STAM”) Strategy:** Each portfolio is built with a total return focus from high quality investment vehicles. The current macroeconomic and interest rate environment dictates the overall construction of the portfolio after meeting all client specific needs. The STAM strategy targets specific areas of the yield curve and maintains an average maturity that reflects BB&T IIA's view of anticipated movements in short-term interest rates. Each STAM portfolio is diversified across eligible fixed-income and money market securities, which are further positioned within the portfolio to maximize a client's risk/return objective. Relative value analysis is the ultimate driver when selecting individual securities for inclusion in the portfolio. Performance of this strategy is measured against the Barclays Capital US T-bill 6 Month Index.

**Municipal Fixed Income Strategy:** This strategy seeks investment returns that exceed the benchmark through active management of federally tax-exempt fixed income securities. In addition to seeking reasonable current yield, the strategy enhances total rates of return while maintaining a diverse, high quality portfolio. The strategy uses state and local general obligations as well as various revenue



municipal debt securities with intermediate to long maturities. Performance of this strategy is measured against the Barclays Capital Municipal Bond Index.

**Short Duration Taxable Fixed Income Strategy:** This actively-managed, total return strategy focuses on preservation of capital and liquidity, and uses top-tier investment grade corporate issuers and US government securities. Performance of this strategy is measured against a benchmark of an 80/20 blend of the Barclays Capital US Government/Credit 1 – 5 Year Bond Index and the 6-month US Treasury Bill.

**Short Duration Government Fixed Income Strategy:** This actively-managed, total return strategy focuses on preservation of capital and liquidity, and uses US government securities. Performance of this strategy is measured against a benchmark of an 80/20 blend of the Barclays Capital US Government 1 – 5 Year Bond Index and the 6-month US Treasury Bill.

## **C. Risk of Loss**

All investment programs have certain risks that are borne by the client. Investing in securities involves the risk of loss which the client should be prepared to bear. The risk for each client varies in accordance with the client's policies, goals, guidelines, restrictions, and stated risk tolerance. In addition, all of our clients will encounter general market risks, including, but not limited to:

- **Interest-Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying value or the company's circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Foreign investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** Future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This risk primarily relates to fixed income securities.

- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil companies are subject to the vagaries of both broadly fluctuating demand, and accordingly, price for their product. They carry a higher degree of risk of loss in comparison to an electric company, which has a more predictable demand for its product at a regulated price.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not, given the lengthy process to sell real estate.
- **Financial Risk:** Financial risk represents a broad spectrum of risk associated with a company's financings, including loans and the risk of default.
- **Mutual Funds:** Mutual funds are subject to investment advisory and other expenses, which will be indirectly paid by clients. As a result, the cost of our investment strategies will be higher than the cost of investing directly in mutual funds as there are two levels of fees. Mutual funds are subject to specific risks, depending on the nature of the fund.

The above list of risk factors is not intended to be a complete list or explanation of the risks involved in an investment or strategy. In addition, due to the dynamic nature of investments and markets, strategies may be subject to additional and different risk factors not discussed above.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of BB&T IIA or the integrity of BB&T IIA's management. BB&T IIA has no information applicable to this Item.

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

BB&T IIA is not a broker-dealer, municipal securities dealer, or government securities broker or dealer, although under the greater BB&T Corporation umbrella of subsidiary ownership, there are subsidiaries or affiliates that are.

BB&T IIA is not a futures commission merchant, commodity pool operator or commodity trading adviser, although under the greater BB&T Corporation umbrella of subsidiary ownership, there are subsidiaries or affiliates that are.

BB&T IIA is not a part of another investment adviser, although there are other investment advisers as subsidiaries or affiliates under the greater BB&T Corporation umbrella of subsidiary ownership. BB&T IIA's advisory services may include recommendations to utilize an affiliate Registered Investment Advisor ("RIA").

BB&T IIA is a wholly owned subsidiary of BB&T. Directors, officers and other employees of BB&T IIA may also be employed by BB&T. BB&T IIA may be contracted to prepare investment related materials such as economic commentary, newsletters, and mutual fund performance reports, etc. that are distributed to B&T IIA clients and participants for plan education purposes. BB&T may perform record keeping services on plans to which BB&T IIA serves as Investment Advisor.

BB&T IIA is not an insurance company or agency, although under the greater BB&T Corporation umbrella of subsidiary ownership, there are subsidiaries or affiliates that are.

BB&T IIA does not create or package limited partnerships, although under the greater BB&T umbrella of subsidiary ownership, there are subsidiaries or affiliates that do.

As a related person, BB&T affiliates participate in various partnerships and solicit their clients to invest in them. BB&T IIA does not solicit its clients for those investments.

In addition, BB&T IIA does not have any relationship or arrangement that is material to our advisory business or to our clients that we, or any of our management persons, have with any related person that are an accountant or accounting firm, lawyer or law firm, or real estate broker or dealer.

BB&T IIA is a subsidiary of BB&T and related to the following subsidiaries of BB&T Corporation under common control with BB&T IIA, unless otherwise noted:

1) Broker-Dealers

- i. BB&T Investment Services, Inc. ("BB&T IS"), a registered broker-dealer and SEC registered investment adviser, is wholly owned by Branch Banking and Trust Company.
- ii. BB&T Securities, LLC, a wholly owned subsidiary of BB&T Corporation, is a registered self-clearing broker-dealer and investment adviser. BB&T Securities provides retail distribution for the Sterling Funds. BB&T Securities serves as custodian of certain accounts for which Sterling advises.

BB&T Securities is a registered municipal adviser. BB&T Securities is registered with the National Futures Association and is a commodity trading adviser.

BB&T IIA generally does not act as principal or broker in connection with client transactions. However, BB&T IIA may exercise its discretion under the investment agreement with the client to effect transactions in securities or other instruments through BB&T Securities. In connection with such transactions in which BB&T Securities will act as principal, BB&T IIA will disclose to the client that the trade will be conducted on a principal basis and obtain client consent in accordance with Section 206-3 of the Advisers Act.

BB&T IIA may from time to time purchase, on behalf of clients, securities in offerings with respect to which BB&T Securities serves as an underwriter. In such cases, the purchase is generally made from a party unaffiliated with BB&T IIA, but BB&T Securities may nevertheless benefit indirectly from such transactions. All such transactions will be effected in accordance with applicable law, including the Investment Advisers Act, the Investment Company Act, and ERISA.

There are no material conflicts of interest with the aforementioned affiliated financial service providers. To control potential conflicts of interests, BB&T IIA does not utilize the products and services of the aforementioned affiliated financial service providers. Additionally, under the greater BB&T Corporate umbrella there is a network of corporate governance committees and controls designed to prevent such potential conflicts of interests along with an Operational Risk Management Group that has a holistic view of divisions within the institution and how each business unit associates with others within those divisions.

## **Item 11 – Code of Ethics**

Each person representing BB&T IIA is obligated to abide by the firm's current Code of Ethics ("Code"). The Code establishes certain standards of business conduct that are designed to emphasize our fiduciary responsibility and place interests of clients first.

The underlying principles of the Code relate to independence in investment recommendations, confidentiality of client information, disclosure of conflicts of interest, and adherence to all Federal and local securities laws. BB&T IIA has appointed a Chief Compliance Officer whose responsibility includes reviewing the records of personal securities transactions for conflicts of interest and reporting violations to the BB&T IIA Board of Directors. Sanctions for Code of Ethics violations can include termination of employment.

The BB&T Institutional Investment Advisers, Inc. Code of Ethics reflects BB&T IIA's principles and philosophy regarding ethics, its fiduciary duty to clients and the obligation of personnel to uphold that duty. BB&T IIA's Code of Ethics attempts to accomplish the following:

- Protect clients by deterring misconduct;
- Educate employees regarding the adviser's expectations and laws governing employee conduct;
- Remind the employees that they are in a position of trust and that they must act with complete propriety at all times;
- Protect the reputation of the adviser;
- Guard against violation of securities laws; and
- Establish procedures for the adviser's employees to follow so that the adviser may determine whether its employees are complying with its ethical principles.

Sterling Capital ("SCM") Funds and/or Separately Managed Accounts ("SMA"), managed by SCM, an affiliate, may be included in the investments offered for consideration to clients when permitted by regulation. This affiliation causes a potential conflict of interest. BB&T IIA has a perceived incentive to recommend Sterling Capital Funds and/or SMAs, due to its affiliation. The success of Sterling Capital Funds and SMAs may indirectly benefit BB&T IIA as they are both ultimately owned by the same parent company. Neither BB&T IIA nor its consultants directly benefit from recommending Sterling Capital Funds or SMAs and BB&T IIA has policies and procedures in place to monitor all such recommendations to ensure research operating procedures are uniformly followed for all managers and that the best interests of the client are being met.

From time to time, an affiliate of BB&T IIA donates to charitable organizations that are affiliated with clients, are supported by clients, and/or are supported by an individual employed by one of our clients. In general, such donations are made in response to requests from clients, or their personnel. Because the contribution could result in the recommendation of BB&T IIA or its services, such contributions may raise a potential conflict of interest. As a result, contributions are monitored and made directly to the charitable organization (normally a 501(c)(3) organization). No contribution will be made if the contribution implies that continued or future business with BB&T IIA depends on making such contribution.

***Clients may request a complete copy of the Code of Ethics by contacting the Chief Compliance Officer at the firm's address.***

## **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

BB&T IIA does not conduct principal transactions, cross transactions, recommend to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest. However, as required by the Form ADV 2, these issues are addressed because some of our affiliates through the greater BB&T Corporation do.

Advisory affiliates may be licensed registered representatives of a broker-dealer.

BB&T Corporation has several affiliates and subsidiaries who are financial service providers. Included would be mutual fund companies, broker-dealers and other Registered Investment Advisors. Those subsidiaries and affiliates may buy and sell securities for themselves or sell securities they own to any client. They may also be broker or agent effecting securities transactions for compensation for a client. They may also act as broker or agent for a person other than a client effecting transactions in which client securities are sold to or bought from a brokerage customer.

Sterling Capital Funds, managed by SCM, an affiliate, may be included in the investments offered for consideration to clients when permitted by regulation.

BB&T IIA or individuals associated with BB&T IIA may buy or sell mutual funds, stocks or bonds identical to those recommended to customers for their personal accounts.

BB&T IIA or any affiliated individuals may have an interest or position in mutual funds, stocks or bonds which may also be recommended to a client.

As these situations may represent a conflict of interest, BB&T IIA has established the following restrictions in order to ensure its fiduciary responsibilities:

- (1) A Director, officer or employee of BB&T IIA shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person of BB&T IIA shall prefer his or her own interest to that of an advisory client.
- (2) The Chief Compliance Officer for BB&T IIA reviews security transactions in accordance with Rule 204-2 of the Investment Advisers Act of 1940.
- (3) All clients are fully informed that certain related parties may receive separate compensation when effecting transactions during the implementation process.
- (4) BB&T IIA emphasizes the unrestricted right of the client to decline to implement any advice rendered.
- (5) BB&T IIA requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.

## **Item 12 – Brokerage Practices**

### **Investment or Brokerage Discretion:**

For accounts where we serve as the investment manager, either directly or indirectly, we have the authority to buy and/or sell securities without obtaining client consent unless you provide specific written directions to the contrary. For these accounts, we determine the securities to be bought or sold, the amount of the securities to be bought or sold, the broker or dealer to be used, and the commission rates paid subject to some limitations.

#### *Limitations - Affiliated Company Stock*

We will not buy or hold stock of an affiliated company, as described in item 4A and 10, without specific direction from you, the person authorized to give such instruction. You will be required to sign an Investment Authorization letter to authorize the purchase or retention of any security not included in our recommended investment strategy for your account.

#### *Limitations - Brokerage Discretion:*

Generally, brokerage firms are approved for execution services by our Brokerage Allocation Committee or Board of Directors after clearing a defined due diligence process. Trades are placed with a broker by matching the nature of the trade with the expertise of the brokerage firm. For fixed income trades, competitive bids and offers are secured either by seeking direct bids from various brokers or seeking multiple street bids through a selected firm. We periodically re-evaluate brokerage services using a number of factors including promptness of execution, competitive price delivery, responsiveness, creditworthiness and financial stability, clearance and settlement capability, and, in certain circumstances, a broker's willingness to commit capital and the provision of research and soft dollar benefits. Accordingly, transactions will not always be executed at the lowest available price or commission.

A component of the service provided by equity brokers may include investment research as permitted under the safe harbor guidelines of SEC Rule 28(e) that, in our view, provide appropriate assistance to us in the investment decision-making process. As a result, we may pay for those brokerage and research services with soft or commission dollars. The types of brokerage and research services that we acquired with client brokerage commissions in 2016 included: research reports on companies, industries, and securities; economic, market, and financial data; access to broker-dealer analysts, corporate executives, and industry

experts; attendance at trade industry seminars and broker-organized conferences; and services related to effecting securities transactions and functions incident thereto such as clearance and settlement services.

When we use client commissions to obtain brokerage and research services, we receive a benefit because we do not have to produce or pay for the brokerage and research services ourselves. As a result, this creates a conflict of interest because we may have an incentive to select a broker-dealer based on our own interests in receiving the brokerage and research services from that broker-dealer, rather than solely on our clients' interests in receiving the most favorable execution. However, when selecting broker-dealers that provide brokerage and research services, we are obligated to determine in good faith that the commissions to be paid are reasonable in relation to the value of the brokerage and research services they provide to us. The reasonableness of the commissions will be viewed in terms of the particular transactions or our overall responsibilities to our clients' accounts over which we exercise investment discretion, even though the broker-dealer may be willing to execute transactions at a lower commission.

As a client who has given us investment discretion on your account, you receive benefit from these research services. Trade execution costs may be higher for your or other accounts utilizing those research services than for those accounts not using the research services. We do not receive research services under soft-dollar arrangements with any fixed income brokerage firms.

Brokerage and research services may be used to service any or all of our discretionary advisory accounts, including accounts that do not pay commissions to the broker-dealer relating to the brokerage and research service arrangement. As a result, brokerage and research services, including soft dollar benefits, may disproportionately benefit some client accounts relative to others. Brokerage and research services obtained through commissions paid by client accounts are shared freely with all portfolio management personnel within our investment team. We do not attempt to allocate soft dollar benefits proportionately among clients or to track the benefits of brokerage and research services to the commissions associated with a particular account.

As a client, you may direct us, in writing, not to use a broker who is an affiliated company.



*Limitations – Commission Rates Paid:*

For accounts where we have investment management discretion, we have negotiated equity commissions with all approved brokers at a standard rate per share so that there is no bias in the selection of the firm. The commission rate for discretionary accounts includes research costs provided by the brokerage firm.

For non-discretionary accounts, we seek a lower trade execution rate since research costs are not included.

*Brokerage for Client Referrals:*

BB&T IIA does not direct client transactions to any particular broker-dealer in return for client referrals.

*Client Directed Brokerage:*

We do not encourage client directed brokerage but will accommodate a client's request to do so, and you, the client, may designate a person to authorize such instructions. When these trade directions are received, we execute the orders promptly and will not combine (block) them with any of our discretionary trades. Since we can't aggregate the trade orders, we may not be able to get an identical execution for you resulting in varying costs.

*Block Trading Procedures for Discretionary Securities:*

Equity trades for the same security on the same day will be combined (blocked) daily whenever possible to ensure that all of our clients receive the best execution on the trade.

Fixed income trade orders for corporate, US Treasury, and Agency issues may be blocked on a weekly basis to seek better pricing and execution due to size of trade.

Trade orders for mortgage-backed securities may be blocked on a monthly basis to seek better pricing and execution due to size of trade for our clients' benefit.

Trade orders for municipal bond securities may be blocked and purchased in minimum amounts of \$1 million to facilitate best price and execution for our clients' benefit.

*Cross transactions policy/procedure:*

We do not process cross trades between accounts. All trading activity is arm's-length through a brokerage firm.

Securities purchased for client portfolios may be shares in mutual funds or group annuity contracts, individual stocks and bonds or interests in managed accounts. Block trading, volume discounts and commission negotiations are not applicable to BB&T IIA's mutual fund transactions.

### **Item 13 – Review of Accounts**

**Reviews:** Each advisory account is reviewed in depth on a quarterly basis by the assigned Investment Portfolio Manager as to the performance of each strategy implemented and evidenced by the client's investment policy statement and each specific investment chosen to represent that strategy. Risk and return characteristics for the recent quarter and historical periods are compared to the benchmarks chosen by the client and quantified in the quarterly performance report prepared by BB&T IIA. One or more members of the client service team are available to personally, or via conference call, present the results of this review in accordance with the agreement for services.

**Operations Manager:** The Operations Manager is responsible for account reconciliations, investment manager data coordination/retrieval, and client report production. On a quarterly basis, each investment and advisory account performance report is reviewed in the preparation phase by an operations staff member for consistency with prior reports, exceptions to other accounts and investments, and mathematical accuracy.

**Relationship Manager & Specialists:** Staff members who have specific knowledge of the investment policy and needs of each advisory account are responsible for reviewing all reports before final delivery. This is typically a quarterly review function.

**BB&T IIA Investment Council:** Each investment held by one or more clients is reviewed quarterly for performance and risk in relation to peer groups and best-fit indexes as well as appropriateness for client portfolios. Recommendations are developed for new investments as well as removal of those with poor expectations. More frequent reviews may be triggered by material political, economic, or market events or by changes in the client's circumstances.

Each client would receive, at least quarterly, account statements and confirmations directly from the provider that holds custody of the client's assets.

BB&T IIA prepares quarterly reports for delivery to each investment supervisory account client. Specific reports provided will vary with facts and circumstances such as the obligations by contract, type of client and data which is available. These reports may include information about:

- Transactions (when applicable)
- Fees
- Contributions, withdrawals, realized and unrealized gains or losses, interest, and dividends
- Beginning and ending market values
- Dollar-weighted and time-weighted rates of return by investment and portfolio (when applicable)
- Risk and return statistics for appropriate indexes and benchmarks
- Modern portfolio evaluation statistics

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

Business Development Officers employed by BB&T Retirement & Institutional Services (“BB&T RIS”), an affiliate of BB&T IIA, receive commission compensation from BB&T RIS for selling all financial services offered by BB&T RIS. The financial advisory service offered by BB&T IIA is just one of those services. Those Business Development Officers are paid by BB&T RIS, not by BB&T IIA directly. Further, BB&T RIS Consultants sell additional services to their managed client relationships, including BB&T IIA investment services. There are currently no arrangements under which Business Development Officers are compensated for referrals of clients to BB&T IIA.

#### **Item 15 – Custody**

We do not maintain custody of your assets directly, however, one of our affiliates may. The actual custody function is performed by other providers such as brokers, banks, or other qualified custodians contracted by you. Those providers, as qualified custodians, safeguard your assets, settle trades, collect dividends and interest, and process cash transactions on your behalf. If an affiliate of BB&T IIA is serving as your custodian you may direct BB&T IIA to take our fee directly from your account. You receive regular statements from them based upon the cycle you requested which list your assets, including information such as your cost and market value, and transaction activity for the period. We urge you to review these statements carefully and to contact your custodian if you have any concerns.

The records maintained by your custodian as reflected on your statement are the official records of your account and assets for tax reporting and other purposes. Your custodian will provide information to the IRS and other appropriate governmental agencies and to you for proper tax reporting annually.

We may produce specialized investment performance reports for your account periodically which may differ from those you receive from your custodian. A common difference involves the market value of certain securities. Since custodians may use a different pricing vendor than we use, the prices for certain securities, especially fixed income securities, could vary.

The accounting systems used by your service providers may also employ different reporting methods. Our performance reports are based upon trade date accounting with accruals whereas some custodians report activity on a settlement date basis with or without accruals. While both reporting methods are accurate and acceptable, you should be aware of the potential differences that could appear. We urge you to compare our reports with those of your custodian and contact us with any concerns you may have.

#### **Item 16 – Investment Discretion**

Refer to Item 12 above.

#### **Item 17 – Voting Client Securities**

It is the policy of BB&T IIA to vote all proxies over which it has voting authority in the best interest of its clients. By “best interest”, BB&T IIA means the clients’ best economic interest over the long term -- that is, the common interest that all clients share in seeing the value of a common investment increase over time. BB&T IIA will generally vote proxies as recommended by management unless, in BB&T IIA’s view, management’s recommendation is not in the best interest of the client. BB&T IIA generally will not accept proxy voting authority from a client (and will encourage the client to vote its own proxies) if the client seeks to impose client-specific voting guidelines that may be inconsistent with BB&T IIA’s guidelines or with the client’s best economic interest in BB&T IIA’s view.

All proxies are reviewed and voted by BB&T IIA according to the firm’s Policy Guidelines. Absent special circumstances, these Guidelines address proxy proposals covering matters of routine business, reorganization, reincorporation, compensation, matters related to the board of directors, shareholder rights and other matters found in proxy proposals.

BB&T IIA is sensitive to conflicts of interest that may arise in the proxy decision-making process. In those instances when a proxy vote involves a potential for a conflict of

interest, the firm may resolve the conflict in any of following ways: (1) contacting the client and voting pursuant to their direction; (2) abstaining; (3) voting according to the Proxy Policy Guidelines; or (4) following the vote recommendation of an independent fiduciary appointed for that purpose.

Clients wishing to review BB&T IIA's Proxy Voting Policies and Procedures may receive a copy upon request by email at [dlaboissonniere@bbandt.com](mailto:dlaboissonniere@bbandt.com). Furthermore, clients with a particular interest in reviewing the firm's proxy voting records for their account may also do so upon request.

#### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about BB&T IIA's financial condition. BB&T IIA has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

#### **Item 19 – Requirements for State-Registered Advisers**

NOT APPLICABLE