

# Form ADV 2A

## Brochure

### **FISHER INVESTMENTS<sup>®</sup>**

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### **401(k) SOLUTIONS**

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[www.Fisher401k.com](http://www.Fisher401k.com)

August 31, 2017

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This brochure provides information about the qualifications and business practices of Fisher Investments. If you have any questions about the contents of this brochure, please contact us at 866-607-5156, or by email at [401k@fi.com](mailto:401k@fi.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Fisher Investments is a Registered Investment Adviser. Being registered with the SEC or any other regulatory authority does not imply Fisher Investments has a certain level of skill or training.

Additional information about Fisher Investments is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

This section provides a summary of material changes that were made to this brochure since the last annual update, and is intended to help Clients determine if they want to review this brochure in its entirety, or contact Fisher Investments with questions about the changes.

*The Investment Policy Committee has increased from four to five members with the addition of Michael Hanson.*

*The standard fee schedule has changed and services have been clarified.*

Information about Fisher Investments is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). To request a copy of the most recent disclosure brochure, contact us at:

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## Advisory Business

### Firm Description

Fisher Investments (“FI”), a privately held limited liability company, is an investment adviser with offices in California and Washington. FI is registered with the U.S. Securities and Exchange Commission (“SEC”); in Canada with the Alberta Securities Commission, British Columbia Securities Commission, Manitoba Securities Commission, New Brunswick Securities Commission, Newfoundland and Labrador Financial Services Regulation Division, Nova Scotia Securities Commission, Ontario Securities Commission, Prince Edward Island Securities Office, Quebec Autorité des Marchés Financiers, and Saskatchewan Financial Services Commission; and with the Netherlands Authority for the Financial Markets. FI has a branch office registered with the Dubai International Financial Centre. Being registered with the SEC or any other regulatory authority does not imply FI has a certain level of skill or training.

FI manages assets within its Fisher Investments Institutional Group, Fisher Investments U.S. Private Client Group, Fisher Investments International Private Client Group, and Fisher Investments 401(k) Solutions Group. Collectively, these groups serve a global client base of diverse investors including corporate, public and multi-employer pension plans, foundations and endowments, insurance companies, healthcare organizations, governments, investment companies and high net worth individuals across America, Europe, Canada, Asia, Australia, and the Middle East. The firm offers a broad array of US, non-US, and global equity strategies with various capitalization and style orientations. Founded in 1979, all strategies are supported by the firm’s global research platform developed over its 30+ year history. Investment decisions are made by the firm’s five member Investment Policy Committee (“IPC”), with two of the five members working together for over 34 years and three of the five working together for over 18 years. In the mid-1990s, FI began offering separate portfolio management directly to high net worth individuals. In early 2000, FI expanded service offerings into Canada and Europe. 401(k) Solutions was launched in 2014.

The bedrock of FI’s business is based on maintaining a culture of ethics and integrity with the highest possible emphasis on clear and transparent communications with the investing public. Embedded within the firm’s culture is its embrace of the fiduciary duty to put client interests first. FI fosters a culture that hires, trains, and rewards employees in direct support of the values of openness, honesty, integrity, and trust.

### Principal Owners

FI is wholly-owned by Fisher Investments, Inc. The principal owner is Kenneth L. Fisher.

### Types of Advisory Services

FI, through 401(k) Solutions, provides fiduciary and non-fiduciary services for retirement plan sponsors in the United States. Depending on retirement plan type, these services may include the following:

<b>Non- Fiduciary Investment Services</b>
Assess the plan’s investment objectives;
Assess the plan’s Investment Policy Statement (“IPS”);
<b>Fiduciary Services</b>
Design the investment structure, including updating the investment options (“Plan Funds”), consistent with the IPS;
Build, monitor, and update model portfolios (“Models”) comprised of the Plan Funds and consistent with the IPS;
Research, review, and monitor the Plan Funds and their performance;

<b>Vendor Review Services</b>
Assist with service provider monitoring and evaluation;
Support service provider negotiation;
Evaluate fee disclosures;
Benchmark fees, including Fisher's fee, periodically with third party data;
Facilitate service provider transitions;
<b>Plan Support Services</b>
Assist with plan governance;
Review requirements under Section 404(c) of ERISA;
Analyze plan design;
Assist with employee notices, including delivery to the sponsor;
Support ongoing plan management, including support for compliance testing and Form 5500 preparation;
Assist with payroll setup, training, and coordination;
Create and assist with fiduciary audit file;
Meet with plan committee;
<b>Participant Services</b>
Provide education programs;
Provide newsletter;
Provide support by phone and email;
Provide group meetings onsite;
Provide one-on-one meetings by phone; and
Provide one-on-one meetings onsite.

Plan Funds include registered investment companies (i.e. mutual funds) that are not advised by FI, and/or certain collective funds (the "Collective Funds") for which FI serves as investment adviser. These are explained in more detail in Methods of Analysis, Investment Strategies and Risk of Loss on pages 7-8 and Affiliations on pages 8-9. FI does not receive any fees from Plan Funds, including fund distribution fees, revenue sharing or management fees. When selecting Plan Funds, FI evaluates a range of qualitative and quantitative factors, including fund fees. FI seeks funds in lowest quartile of fees that also meet our other Plan Fund evaluation criteria. Collective Funds, when utilized, are designed to be no or low fee for the participant. Some plan sponsors may elect to make additional investment options available to plan participants through a self-directed brokerage account.

### Assets under Management

FI manages client assets on a discretionary basis. As of December 31, 2016, FI managed a total of:

	<b>Private Client</b>	<b>Institutional</b>	<b>Total</b>
Discretionary	\$ 40,580,254,025	\$ 31,209,437,549	\$ 71,789,691,574
Non-Discretionary	\$ 0	\$ 0	\$ 0
Total	\$ 40,580,254,025	\$ 31,209,437,549	\$ 71,789,691,574

## Fees and Compensation

### Description

FI Fees and Compensation are designed under the philosophy that plans benefit from receiving services, rather than paying for investment products. The only fee that FI will charge for providing the Services will be an annual asset-based fee as outlined below. These fees assume the majority of participants receive group and individual support from FI 401(k) Solutions specialists in person and/or over the phone on educational topics such as savings rates, investment options, and general 401(k) knowledge. Fees are periodically benchmarked with third party data, when available. While at times based on the needs of the plan FI may offer services and fee rates other than specified below, the schedule below lays out the annual fee for the 401(k) Solutions services described on pages 4-5.

		Total Participants	
		1-100	101 or more
Total Plan Assets	Up to \$500,000	\$7,500	Custom proposal
	\$500,001 to \$1,000,000	1.50% of Billable Assets	
	\$1,000,001 to \$2,000,000	1.25% of Billable Assets	
	\$2,000,001 to \$3,000,000	1.00% of Billable Assets	
	\$3,000,001 to \$4,000,000	0.90% of Billable Assets	
	\$4,000,001 to \$5,000,000	0.80% of Billable Assets	
	\$5,000,001 or more	Custom proposal	

Billable Assets are total plan assets less assets invested in a participant's self-directed brokerage account.

401(k) Solutions typically targets plans with at least \$500,000 in investable assets, but it may accept smaller plans, at FI's discretion, which will be billed the annual flat fee shown above. FI will not negotiate fees to manage a plan fiduciary's personal assets based on its relationship with the plan.

### Fee Billing

Fees are generally calculated and charged quarterly. Fees are based on the value of plan assets held by the plan's custodian, using closing prices at quarter end, at one-quarter of the annual rates listed above. Fees are billed and paid after they are earned. Fees for the services provided by FI are typically calculated and charged beginning with the first full calendar quarter after the date of the first investment in a Plan Fund. Unless otherwise agreed, Fees will be deducted from the plan's assets (excluding any assets forfeited by participants) pro rata based on each participant's account balance. The maximum portion of the Fee that may be deducted from the Plan's assets is 1.25% of Total Plan Assets. The remainder of the Fee must be paid by the Sponsor directly.

In general, a plan may terminate the FRA with FI at any time by notifying FI in writing. At such time, FI will bill the plan for services already rendered, prorated through the calendar day prior to the date of termination. Since FI does not bill in advance, a refund of fees is not applicable.

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**Other Fees**

Plans may incur certain charges imposed by unaffiliated third parties. Such charges include, but are not limited to, fees paid to the plan's record keeper or third party administrator or indirect expenses charged to the Plan Funds. These indirect expenses include brokerage fees, commissions and related taxes or charges. These other fees are not paid to FI. Investments through a self-directed brokerage account may be subject to additional fees charged by third parties. Please refer to Brokerage Practices on pages 11-13 for additional information on how FI selects brokers.

**Performance-Based Fees and Side-By-Side Management**

FI does not charge performance-based fees for plans with 401(k) Solutions, but may for institutional clients who specifically request it, if appropriate. Performance-based fee arrangements may permit FI to receive compensation for unrealized appreciation as well as realized gains and may create an incentive for FI to make riskier or more speculative investments. Managing accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as a fixed-rate fee, presents certain conflicts of interest. There is an incentive to favor performance-based fee accounts. FI's policies and procedures have been developed to ensure that all clients are treated fairly and equally, and without regard to the fee type in determining trade allocation. Please refer to Order Aggregation on page 12 for more information. FI reviews trade aggregation and allocation policies and procedures at least annually to ensure adherence to firm procedures and that no client is being systematically favored.

**Types of Clients****Description**

FI has a global client base of diverse investors in an advisory and sub-advisory role including corporations, public and multi-employer pension plans, foundations, endowments, governments, investment companies and high-net-worth individuals across America, Europe, Canada, Asia, Australia, and the Middle East.

**Account Minimums**

401(k) Solutions primarily serves small and mid-size retirement plans. At present, 401(k) Solutions targets accounts with at least \$500,000 in investable assets, but may accept smaller accounts at FI's discretion.

**Methods of Analysis, Investment Strategies and Risk of Loss****Methods of Analysis**

FI uses both qualitative and quantitative tools to analyze markets, sectors, and securities. FI makes extensive use of computers, computer peripherals, software, and computer databases in screening for securities worthy of investment consideration. FI uses a centralized portfolio management system, which includes block trading, portfolio management and securities price data collection.

**Investment Strategies**

The Plan Funds may include both mutual funds and the Collective Funds. Mutual funds are investment companies registered under the Investment Company Act of 1940 ("40 Act") and are regulated by the SEC. A mutual fund's governing documents are a prospectus and statement of additional information, which can be accessed publicly on the SEC's website.

The Collective Funds function similarly to mutual funds, but they are available only to qualified retirement plans. They are sponsored by a bank and regulated by the applicable banking authority. The Collective Funds are exempt from registration under Section 3(c)(11) of the 40 Act and their governing documents, which include a declaration of trust and

a disclosure memorandum, must be delivered privately.

The Collective Funds are part of a collective investment trust sponsored by SEI Trust Company (“SEI”). SEI, as trustee, manages the Collective Funds and maintains ultimate discretionary authority, but SEI relies on advice provided by FI. SEI is a trust company organized under the laws of the Commonwealth of Pennsylvania and a wholly owned subsidiary of SEI Investments Company.

The Collective Funds all have the goal of meeting or exceeding the return of a specific benchmark with a level of risk similar to the risk associated with the benchmark.

For the Collective Funds, FI uses investment benchmarks as a framework for constructing portfolios, managing portfolio risk, and monitoring portfolio performance by comparing rates of return over time. FI can provide information about particular investment benchmarks upon request.

If FI forecasts a prolonged and substantial downturn for the U.S. and/or the foreign stock markets, it may advise the Collective Funds to deviate significantly from their respective benchmarks, in an effort to minimize losses or seek investment returns. There can be no guarantee that FI will accurately forecast any prolonged and substantial downturn in the market, or that the use of derivatives and other defensive techniques would be successful in avoiding losses. These defensive strategies may be used for a Collective Fund only to the extent not prohibited by the governing documents, custodian limitations, and applicable law.

Derivatives typically derive their value from the performance of an underlying asset, interest rates or index. Premiums or other transaction costs related to the purchase of an option—a type of derivative—would be lost when the option expires worthless. The price movements of derivatives may be more volatile than those of other securities, and result in increased investment risk. Many of these investments may not enjoy as much liquidity as other securities. Consistent with each Collective Fund’s investment guidelines, FI will seek to recommend liquid investments to the extent they represent the best investment option in FI’s view.

### **Risk of Loss**

Investing in capital markets involves risk of loss that each plan should be prepared to bear. Investing in foreign stock markets involves additional risks including political, economic and currency risks, and differences in accounting methods. Investing in fixed income instruments may involve certain costs and risks such as liquidity risk, interest rate risk, and credit risk. Funds investing in derivatives could lose more than the principal amount invested in those instruments. There can be no guarantee that a Plan Fund will not suffer losses.

## **Disciplinary Information**

### **Legal and Disciplinary**

There have been no disciplinary events and no material legal events related to FI or any management personnel.

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

### **Financial Publications**

Kenneth Fisher is a regular contributor to various publications (for example: *The Financial Times* and *Interactive Investor*). The Collective Funds may or may not hold some or all of the securities mentioned in a particular article.



**Affiliations**

As explained on pages 7-8, FI acts as investment adviser to the Collective Funds. The Collective Funds are as follows: the Fisher Investments Foreign Equity Collective Fund, the Fisher Investments Emerging Markets Equity Collective Fund, the Fisher Investments All World Equity Collective Fund, the Fisher Investments U.S. Equity Collective Fund, and the Fisher Investments U.S. Fixed Income Collective Fund. FI also advises the Fisher Investments All Foreign Equity Collective Fund, which is part of the same trust as the Collective Funds but is not available through 401(k) Solutions.

FI acts as the investment adviser for the Tactical Multi-Purpose Fund (“Tactical Fund”), organized as a non-diversified series of Unified Series Trust established under the laws of Ohio by an Agreement and Declaration of Trust dated October 17, 2002. FI may recommend to clients, or use its discretionary authority over clients’ accounts, to invest client assets in shares of the Tactical Fund. Clients may also restrict or prohibit investment of their accounts in the Tactical Fund in writing.

FI acts as the investment manager for the UK-based Purisima Investment Funds, an open ended investment company incorporated in England and Wales under registered number IC 162 and authorized as an Undertaking for Collective Investment in Transferrable Securities (“UCITS”) by the UK Financial Conduct Authority, which is comprised of three sub-funds: the Purisima Global Total Return Fund, the Purisima UK Total Return Fund, and the Purisima EAFE Total Return Fund.

FI acts as the investment manager for the Purisima Investment Fund (CI) Limited, an open ended investment company established in Jersey, Channel Islands, as an Expert Fund in accordance with the Jersey Collective Investment Funds Order 1995.

FI acts as the investment manager for the Fisher Investments Institutional Funds plc, an open ended investment company with variable capital incorporated in Ireland under the Irish Companies Act 1963 to 2009 with registered number 496650 and authorized as a UCITS by the Central Bank of Ireland, which is currently comprised of comprised of fourteen sub-funds: the Fisher Investments Institutional Emerging Markets Equity Fund, the Fisher Investments Institutional Emerging Markets Equity ESG Fund, the Fisher Investments Institutional US Small and Mid-Cap Value Equity Fund, the Fisher Investments Institutional Frontier Markets Equity Fund, the Fisher Investments Institutional Asia ex-Japan Equity Fund, the Fisher Investments Institutional Global Small Cap Equity Fund, the Fisher Investments Institutional US Small Cap Core Equity Fund, the Fisher Investments Europe All-Purpose Fund, the Fisher Investments Institutional European Equity Fund, the Fisher Investments Institutional Global Equity Fund, the Fisher Investments Institutional Global Equity Focused Fund, the Fisher Investments Institutional Global Equity High Yield Fund, the Fisher Investments Institutional Global Developed Equity Fund, and the Fisher Investments Institutional Emerging Markets Small Cap Equity ESG Fund.

FI acts as the investment manager for the Fisher Investments Trust, a Delaware statutory trust, which currently has six series: the Fisher Investments Institutional Group Emerging Markets Equity Fund, the Fisher Investments Institutional Group Foreign Equity Fund, the Fisher Investments Institutional Group Global Small Cap Fund, the Fisher Investments Institutional Group Small Cap Value Fund, the Fisher Investments Institutional Group All Foreign Equity Fund, and the Fisher Investments Institutional Group Frontier Markets Equity Fund.

FI acts as the investment manager for the Fisher Investments Canadian Series Trust Funds, an Ontario, Canada multi-series trust, which currently has four series: the Fisher Investments Global Total Return Unit Trust Fund, the Fisher Investments Foreign Equity Unit Trust Fund, the Fisher Investments Emerging Markets Equity Unit Trust Fund, and the Fisher Investments Global Small Cap Unit Trust Fund.

FI owns Fisher Investments Europe Limited (“FIE”), an investment adviser headquartered in London whose purpose is to market FI’s money management services to prospective clients in the United Kingdom, as well as to manage money for clients in Europe that is sub-managed by FI. FIE trades under the trading names Fisher Investments België, Fisher Investments Europe, Fisher Investments España, Fisher Investments France, Fisher Investments Italia, Fisher Investments Nederland, Fisher Investments Norden, and Fisher Investments UK. FIE has established branches in Denmark, France, the Netherlands, and Spain, which trade under the trading names Fisher Investments Norden, Fisher Investments France, Fisher Investments Nederland, and Fisher Investments España, respectively. FIE may also provide services into other countries within the European Economic Area on a “freedom to provide services” basis. FI earns a sub-management fee for the sub-management services it provides to FIE.

FI owns Fisher Investments Australasia Pty Ltd (“FIA”), an investment adviser in Australia whose primary purpose is to manage money for wholesale clients (as defined by the Australian Securities and Investments Commission) in Australia that is sub-managed by FI.

FI owns Fisher Investments Japan (“FIJ”), a Cayman corporation with a branch in Japan that has a discretionary investment management (“DIM”) license in Japan. FIJ’s primary purpose is to manage assets for professional and general clients (as defined by the Japan Financial Service Agency), a portion of which management will be delegated to FI.

FI has a branch established in the Dubai International Financial Centre, whose purpose is to market FI’s money management services to prospective institutional clients in the Middle East.

FI owns Grüner Fisher Investments GmbH, an investment adviser in Germany.

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

### **Code of Ethics and Personal Trading**

Ethics and integrity are the bedrock on which the rest of our business is built. When FI employees invest for their own accounts, conflicts of interest may arise between clients and employees. As an investment adviser and mutual fund adviser, FI is subject to Rule 204A-1 of the Advisers Act and Rule 17j-1 of the Investment Company Act of 1940, as amended. To comply with these requirements, FI has adopted a Code of Ethics containing provisions reasonably necessary to prevent its “Access Persons,” as defined in the Code of Ethics, from engaging in any act, practice or course of business prohibited by the Rules. The Code of Ethics addresses investments by Access Persons in securities with particular rules for initial public offerings and limited offerings.

In accordance with FI’s Code of Ethics, all Access Persons are required to have most security transactions including all common stock, options, corporate bonds, exchange traded funds and trades in mutual funds where FI is the sub-adviser to the fund company approved in advance by designated personnel involved in the trading process. Access Persons and FI Principals have bought, owned, and sold securities in various publicly traded corporations, including those held by the 401(k) Solutions Funds.

Access Persons and Principals may hold securities, which were purchased previous to their employment with FI, and are now still held. Access Persons and Principals may participate in block transactions placed for clients or the funds advised by FI. Additionally, Access Persons and Principals must submit all brokerage statements, which reflect transactions for their benefit, to ensure this policy is implemented according to stated objectives. FI will provide a copy

of its Code of Ethics upon request.

In addition to these explicit policies, we also stress ethics in our company vision statement, which states that “our quest requires delivering unparalleled service, continuous education, and appropriate solutions to our clients and always considering their interests first.” Likewise, ethics and integrity are a core component of employee performance reviews, where they are listed as an explicit competency and factor directly into performance evaluations.

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

FI imposes restrictions upon itself and all managed accounts that have a relationship with an FI Access Person or Principal to ensure plan and client interests are considered before the interests of FI or any person who may be associated with FI. Such accounts are called proprietary accounts. They will trade in block trades with or after non-proprietary clients. Exceptions may be made to liquidate certain previously held equity positions in proprietary accounts that cannot be blocked with non-proprietary accounts provided a determination is made that no non-proprietary client will be disadvantaged. All clients with assets in proprietary accounts are aware of such trading practices. At no time will transactions be effected in any manner such that FI or the FI Access Person could benefit at the expense of a non-proprietary client.

### **Political Contributions**

FI personnel may make personal contributions to support political candidates or elected officials, including candidates who may share the firm's views on issues related to its business interests. Designated personnel are responsible for ensuring that their political activities comply with applicable laws restricting political contributions and solicitations, as well as FI's policies and procedures.

## **Brokerage Practices**

### **Selecting Brokerage Firms**

FI generally determines both the brokers to be used to effect transactions for plans and the commissions at which those transactions are to be effected. Brokers are selected on the basis of FI's assessment of their execution and other services relative to the commission charged for each trade. FI evaluates brokers' fees and commission rates in light of rates other advisers could obtain from brokers for similar transactions.

### **Best Execution**

FI allocates transactions to brokers and/or dealers for execution on such markets at such prices and at such commission rates (which may be in excess of the prices or commission rates that might have been charged for execution on other markets or by other brokers or dealers) as in the good faith judgment of FI are appropriate. FI considers the selection of brokers and/or dealers based not only on the available prices and rates of brokerage commissions, but also other relevant factors which can include:

- (a) the execution capabilities of the brokers and/or dealers;
- (b) the size of the transaction
- (c) the difficulty of execution;
- (d) the operational facilities of the brokers and/or dealers involved;
- (e) the risk in positioning a block of securities;
- (f) the quality of the overall brokerage and research services provided by the broker and/or dealer; and,
- (g) research (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice and market analysis), custodial, trade generation and management software, and other services provided by such brokers and/or dealers which are expected to enhance FI's general

management capabilities.

FI may cause a client to pay a broker or dealer a higher amount of commission for effecting a transaction than another broker or dealer would have charged for effecting that same transaction. This may occur if FI determines in good faith that the amount of commission is reasonable in relation to the value of the brokerage and research services provided by the broker or dealer, viewed in terms of either the particular transaction or FI's overall responsibilities with respect to the accounts for which FI exercises investment discretion.

### **Soft Dollars**

Under FI's "Section 28(e)" soft dollar policies, our research and trading departments use research products and services (such as Bloomberg, MSCI, and FactSet and other research data services) used in the investment decision making process. FI also uses pre-trade and order execution/brokerage products and services (such as Eze Castle, Transaction Network Services, Omgeo CTM and other services) to effect securities transactions and perform trading and settlement functions. These products and services are provided by or paid by broker-dealers through which FI executes clients' trades. FI will also make an allocation and pay for the reasonable value of those research and trading services it uses for purposes other than making investment decisions or effecting trades for clients.

Most broker-dealers that custody client assets or effect securities transactions provide their own research services such as reports, access to website materials, and access to their analysts. In some cases FI uses that research if it is believed to be useful and of reasonable value. In other cases FI receives unsolicited research from those broker-dealers that may be considered a soft-dollar benefit even if the research is not requested or used by FI.

Generally speaking, all of FI's clients benefit from research services provided to FI by the brokers and dealers who effect transactions for FI's client accounts. Not all such research services, however, may be used by FI in connection with the client accounts that paid commissions to the brokers or dealers providing such research services. In addition, instances may arise where: (a) research services obtained in connection with transactions effected for a particular client's account will typically benefit other clients of FI whose commissions may or may not have been used to pay for such research services or who do not allow use of commissions to generate soft dollar benefits; and (b) not all research services may be used by FI after payment of commissions by clients. FI's receipt of research services from brokers and dealers that effect transactions for FI's client accounts does not reduce FI's customary research activities. FI may pay commissions higher than those obtainable from other brokers as a result of its soft dollar arrangements.

### **Order Aggregation**

FI has adopted the following allocation policy and procedure for aggregating trade orders.

- Orders will not be aggregated unless aggregation is consistent with our best execution duty and the applicable advisory agreements.
- No advisory account will be consistently favored over any other account.
- Before entering an aggregated order, an electronic summary of the allocation shall be made in connection with that order.

FI's IPC determines the securities to be purchased and sold in client accounts where FI acts with discretion and recommends the securities to be purchased or sold in each 401(k) Solutions Fund advised by FI. FI will aggregate all orders directed by the IPC by custodian and/or business segment (e.g., Institutional, including 401(k) Solutions, and Private Client Group) for trade routing.

- When transactions are aggregated into blocks:
  - The actual execution prices applicable to the aggregated transaction will be averaged, and each client

account or fund participating in the aggregated transaction will be deemed to have purchased or sold its share of the security, instrument or obligation involved at that average price; and,

- All transaction costs incurred in effecting the aggregated transaction shall be shared on a pro rata basis among all participating accounts, except to the extent certain broker-dealers that also furnish custody services may impose minimum transaction charges. Client direction and other restrictions may result in different costs for a particular account.
- When blocks are partially executed, trades are allocated on a pure prorated basis. Each account is allocated executed shares in direct proportion to its percentage of the overall block order to the nearest round lot (generally 100 shares). Aggregated orders receive one average price per broker. FI may, at its discretion, make small adjustments to accounts with relatively small share counts (generally <1,000 shares) to avoid excessive transaction costs.
- Orders will be allocated on a basis different from the above only if all clients receive fair treatment and the reason for the different allocation is approved by a member of the IPC member in writing. Common reasons for deviations include, but are not limited to, cash balance differences and relative position sizes.
- Client mandated orders are generally segregated from existing blocks and executed at the market. If it is deemed that executing the order at the market may have significant market impact, the order will be executed with discretion.
- Books and records will reflect separately the securities held, bought, and sold for each client account or fund. With respect to 401(k) Solutions, an independent third party is responsible for maintaining records relevant to each plan and plan participant.
- FI does not participate in initial public offerings and therefore has no allocation policy with respect to such offerings.
- No additional compensation or remuneration of any kind will be received by FI as a result of the procedure.

### Trading Errors

Trading errors sometimes happen for various reasons that may or may not be FI's responsibility. FI handles trading errors according to its trade error policy and procedure, including the use of trade error accounts intended to absorb unfavorable consequences of trade errors (as well as favorable consequences when deemed not beneficial to a client account or a fund) to reduce the chance that a fund or an account would be affected. FI may aggregate the balances of its error accounts among various broker-dealer and bank custody accounts on a quarterly basis to determine whether to donate aggregate gains to charity or to contribute to one or more accounts for aggregate losses. In any event, each of the Collective Funds will always be made whole and soft dollars will never be used to correct trade errors.

## Review of Accounts

### Periodic Reviews

Information about the holdings of each of the Collective Funds, including quantities and values of securities held, the amounts of cash and cash equivalents, and account transaction activity is maintained in FI's portfolio management and accounting systems. This information is reconciled against statements or electronic files from appropriate custodial agents generally daily, but no less than monthly. Information about the plan and individual plan participants is provided and maintained by the third party administrator or record keeper.

### Review Triggers

Each of the Collective Funds is subject to periodic reviews depending on the criteria being evaluated. Most reviews utilize computer-generated exception reports from FI's portfolio management and accounting systems. Cash balance, position count, position size, asset allocation, country weight, and sector weight reports are among the measures

periodically evaluated. Additionally, ad hoc reports supplement the review process. FI's Implementation Manager, under the supervision of the Group Vice President of Research, oversees the daily operations of the existing account review process.

The IPC consists of five members: the Executive Chairman, a Vice Chairman, an Executive Vice President, and two Senior Vice Presidents. They collectively determine firm investment policy and are responsible for managing broad investment strategies. All are actively engaged in securities and capital markets research contributing to the review process.

## **Client Referrals and Other Compensation**

### **Incoming Referrals**

From time to time, FI has client referral relationships with outside vendors and/or independent, unaffiliated third-party custodians which provide services that may include custody of securities, trade execution, and clearance and settlement of transactions. Potential conflicts of interest may arise from these referral relationships, as FI may receive certain economic benefits through its participation in these relationships. FI also has incentives for its personnel to solicit and refer clients. FI occasionally pays a referral fee to third party solicitors. No fee is paid unless a signed contract is executed and the prospective client signs a disclosure form that contains the details of the referral agreement. FI's participation in referral relationships does not reduce or eliminate FI's fiduciary duties to put the interests of its clients first and seek best execution in securities transactions on behalf of its clients.

### **Other Compensation**

FI may have obligations under referral programs with custodians with respect to certain clients, including certain clients who become clients of FI as part of its merger and acquisition activities. Pursuant to such programs, FI is obligated to pay the custodian an ongoing fee, usually as a percentage of the fees billed to the account or a percentage of the assets in the account, with a one-time fee generally payable in the event the account is transferred away from such custodian. Since the one-time fee is generally higher than the ongoing fee, FI will have an incentive to maintain the account at the existing custodian.

## **Custody**

### **Account Statements**

FI is not a broker-dealer and does not take possession of plan assets. Although assets of plans using the 401(k) Solutions platform may be invested in a variety of investment options, they are generally invested in the Collective Funds. Collective Fund assets are, in turn, housed in independent, third party firms, otherwise known as custodians. Plan sponsors and plan participants have access to their individual account statements through their plan's record keeper or third party administrator. Plans and plan participants should carefully review those statements.

### **Direct Debit of Fees**

If authorized by a plan in its FRA, FI will have the ability to invoice the plan's record keeper for its fee, and the record keeper will be authorized to use plan assets to pay FI. FI has policies and procedures in place to ensure fees are calculated correctly and in accordance with clients' agreed upon rates. Refer to Fee Billing under Fees and Compensation on Pages 6-7.



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## Investment Discretion

### Discretionary Authority for Trading and Limited Power of Attorney

FI serves as the investment advisor to the Collective Funds. SEI, as manager and trustee, nevertheless retains and will exercise complete, final and full authority and power to maintain the Collective Funds and manage Collective Fund assets at all times.

## Voting Client Securities

### Proxy Votes

SEI, as trustee and manager of the Collective Funds, delegates proxy voting to FI, the investment advisor, for the securities held in the Collective Funds. FI exercises this authority in accordance to its proxy voting policies and procedures. These policies and procedures set forth guidelines for voting (or abstaining from voting) many typical proxy proposals. FI regularly reviews these guidelines. In certain instances the IPC may determine it is in the best interests of a client account or a Collective Fund to vary from the guidelines or the proxy issue may require individual case-by-case consideration under the guidelines. Where a proxy proposal raises a material conflict of interest between the interests of FI and its clients or one of the Collective Funds, FI will vote in accordance with the guidelines where FI does not have discretion to vary from the guidelines. Alternatively, FI will obtain voting direction from Institutional Shareholder Services (“ISS”), an independent third party proxy service provider, disclose the conflict of interest and abstain from voting, or obtain consent prior to voting the securities. The IPC can override an ISS voting recommendation if they believe it is in the best interest of our clients to vote otherwise. Clients may obtain a copy of FI’s proxy voting policies and procedures and/or information on how FI has voted the client’s securities by written request to FI. There may also be a variety of corporate actions or other matters for which shareholder action is required or solicited and with respect to which FI may take action that it deems appropriate in its best judgment except to the extent otherwise required by agreement. These actions may include, for example and without limitation, tender offers or exchanges, and bankruptcy proceedings. Unless FI otherwise agrees in writing, FI will not have any duty or obligation to advise or take any action on behalf of clients in any legal proceedings, including bankruptcies or class actions, involving securities held in or formerly held in the client’s account or the issuers of securities. At the client’s written request, FI will assist when practical with administrative matters regarding any settlement or judgment.

## Financial Information

### Financial Condition

FI does not require or solicit prepayment of fees. FI is currently not in, nor has been historically in, a financially precarious situation, or the subject to a bankruptcy petition.

## Additional Information: Fair Valuation

For the Collective Funds, SEI as trustee and manager is responsible for determining the fair value of securities and other assets for which market quotations are not readily available. SEI will make its determinations according to the valuation standards that it, in good faith, deems applicable under the circumstances. For other funds, custodians may have alternative valuation procedures that will apply to accounts or funds managed by FI.